



MOHOKARE
LOCAL MUNICIPALITY



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2014/2015

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2015

MOHOKARE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

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MOHOKARE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

GENERAL INFORMATION

SPEAKER

M.A. Shasha

MEMBERS OF COUNCIL

Speaker	M.A. Shasha	
Chief Whip	M.A. Letele	
Councillors:	O.T. Khasake	L. Lekhula
	S. Pokane	E.T. Backward
	M.J. Sehanka	B.S. Majenge
	R.J. Thuhlo	I.S. Riddle
	I. Mehlomakhulu	

GRADING OF THE LOCAL AUTHORITY

Grade 2

AUDITORS

External – Auditor General of South Africa
Internal – Thato Ntakatsane (Internal Audit Clerck)

PRIMARY BANKER

ABSA Bank

REGISTERED OFFICE

Civic Center Hoofd Street Zastron 9950	PO Box 20 Zastron 9950
Telephone: (051) 673-9600	Facsimile: (051) 673-1550 E-Mail: info@mohokare.gov.za Website: http://www.mohokare.gov.za

MUNICIPAL MANAGER

T.C. Panyani

CHIEF FINANCIAL OFFICER

J.V. Nkosi (Until July 2013)
P. Dyonase (Acting from July 2013 & appointed December 2013)

MOHOKARE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

GENERAL INFORMATION (continued)

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 7 to 96, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information during September 2015.

TC PANYANI
MUNICIPAL MANAGER
31 August 2015

P Dyonase
CHIEF FINANCIAL OFFICER
31 August 2015

Mohokare Local Municipality

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

		Actual	
	Note	2015	2014
		R	Restated R
ASSETS			
Current Assets		51 889 471	37 419 667
Inventories - Consumables	2	765 008	790 723
Inventories - Properties held for transfer	2	27 640 500	27 640 500
Receivables from Exchange Transactions	3	8 222 335	2 463 457
Receivables from Non-exchange Transactions	4	1 218 488	649 064
Sundry debtors	4	2 182 791	1 004 996
VAT Receivable	5	10 915 225	4 542 713
Cash and Cash Equivalents	6	945 122	328 214
Non-Current Assets		491 330 351	473 498 376
Property, Plant and Equipment	7	472 982 031	455 226 076
Investment Property	8	17 746 665	17 746 665
Biological Assets	9	256 500	240 031
Investments	10	345 155	285 604
Total Assets		543 219 822	510 918 043
LIABILITIES			
Current Liabilities		79 716 340	56 587 384
Consumer Deposits	11	660 213	615 562
Payables	12	70 262 107	47 323 634
Deferred Grant Revenue	18	-	90 439
Unspent Conditional Grants and Receipts	13	8 376 281	6 072 722
Bank Overdraft	6	-	2 076 232
Current Portion of Long-term Liabilities	14	417 739	408 795
Non-Current Liabilities		39 768 022	29 454 513
Long-term Liabilities	14	22 572 453	12 963 859
Non-current Provisions	15	17 195 568	16 490 654
Total Liabilities		119 484 361	86 041 896
Total Assets and Liabilities		423 735 461	424 876 146
NET ASSETS		423 735 461	424 876 147
Accumulated Surplus / (Deficit)	16	423 735 461	424 876 147
Total Net Assets		423 735 461	424 876 147

Mohokare Local Municipality

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

		Actual	
	Note	2015	2014
		R	Restated R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	17	6 632 446	6 055 112
Traffic Fines		1 638 850	874 540
Gains on Fair Value adjustments		65 770	211 931
Licences and Permits		3 545	132
Government Grants and Subsidies Received	18	107 362 951	94 606 442
Donations Received	19	1 345 459	970 424
Revenue from Exchange Transactions			
Service Charges	20	54 143 537	40 965 596
Rental of Facilities and Equipment	21	1 064 164	574 998
Interest Earned - External Investments	22	129 246	175 822
Interest Earned - Outstanding Debtors	22	805 766	8 084 890
Dividends Received		7 067	8 925
Other Income	23	1 340 274	964 837
Profit on Sale of Livestock:-		55 263	43 982
Sale of Livestock		55 263	252 482
Carrying value of Livestock		-	(208 500)
Total Revenue		174 594 340	153 537 631
EXPENDITURE			
Employee Related Costs	24	55 991 776	52 766 457
Remuneration of Councillors	25	3 236 314	3 065 340
Depreciation and Amortisation	26	25 616 415	25 776 667
De-commissioning cost	7	1 375 457	1 375 457
Impairment Losses	27	22 712 919	22 554 982
Repairs and Maintenance		6 746 145	1 698 199
Finance Costs	28	4 428 348	2 191 427
Bulk Purchases	29	23 607 805	19 755 688
Contracted Services	30	3 679 564	5 393 623
Grants and Subsidies Paid	31	4 871 358	3 014 720
General Expenses	32	23 381 909	28 193 557
Loss on Disposal of Property, Plant and Equipment		355 416	298 128
Total Expenditure		176 003 427	166 084 246
SURPLUS / (DEFICIT) FOR THE YEAR		(1 409 087)	(12 546 615)

Refer to Appendix E(1) for explanation of budget variances

Mohokare Local Municipality
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

Description	Accumulated Surplus / (Deficit)	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R	R
Balance at 30 June 2013	277 345 175	277 345 175	277 345 175
Correction of prior period errors	160 317 695	160 317 695	160 317 695
Re-Styled Balance at 30 June 2013	437 662 870	437 662 870	437 662 870
2014			
Surplus/(Deficit) for the year	(12 552 096)	(12 552 096)	(12 552 096)
Balance at 30 June 2014	425 110 774	425 110 774	425 110 774
Correction of prior period errors	(234 627)	(234 627)	(234 627)
Re-Styled Balance at 30 June 2014	424 876 147	424 876 147	424 876 147
2015			
Surplus/(Deficit) for the year	(1 409 087)	(1 409 087)	(1 409 087)
Balance at 30 June 2015	423 467 059	423 467 059	423 467 059

Details on the movement of the Funds and Reserves are set out in Note 34.

Mohokare Local Municipality
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

		Actual	
		2015	2 014
		R	R
CASH FLOWS FROM OPERATING ACTIVITIES	Note		
Receipts			
Cash receipts from Ratepayers, Government and Other		139 322 625	111 634 981
Dividends Received		7 067	8 925
Interest Received	22	935 012	8 260 712
Payments			
Cash paid to suppliers and Employees		(131 044 292)	-90 631 776
Interest Paid	28	(4 428 348)	-2 191 427
NET CASH FLOWS FROM OPERATING ACTIVITIES	36	4 792 064	27 081 415
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	7	(1 795 540)	-34 113 494
Proceeds on Disposal of Biological Assets		55 263	252 482
NET CASH FLOWS FROM INVESTING ACTIVITIES		-1 740 277	-33 861 012
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings			
Borrowings		(358 646)	4 829 825
Increase / (Decrease) in Short-term Loans			
NET CASH FLOWS FROM FINANCING ACTIVITIES		-358 646	4 829 825
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		2 693 140	-1 949 772
Cash and Cash Equivalents at Beginning of Period		(1 748 018)	201 754
Cash and Cash Equivalents at End of Period		945 122	-1 748 018

Mohokare Local Municipality
BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

30 June 2015

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION									
Current Assets									
Inventories	657 000	-	-	657 000	765 008	-	108 008	116%	116%
Inventories Held-for-Sale	-	-	-	-	27 640 500	-	27 640 500	0%	0%
Receivables from Exchange Transactions	13 620 000	-	-	13 620 000	8 222 335	-	(5 397 665)	60%	60%
Receivables from Non-exchange Transactions	-	-	-	-	1 218 488	-	1 218 488	0%	0%
VAT Receivable	-	-	-	-	10 915 225	-	10 915 225	0%	0%
Cash and Cash Equivalents	729 000	-	-	729 000	945 122	-	216 122	130%	130%
Sundry Debtors	5 557 000	-	-	5 557 000	2 182 791	-	(3 374 209)	39%	39%
Non-Current Assets									
Property, Plant and Equipment	324 830 000	-	-	324 830 000	472 982 031	-	148 152 031	146%	146%
Investment Property	19 267 000	-	-	19 267 000	17 746 665	-	(1 520 335)	92%	92%
Biological Assets	327 000	-	-	327 000	256 500	-	(70 500)	78%	78%
Intangible Assets	-	-	-	-	-	-	-	0%	0%
Non-current Investments	197 000	-	-	-	345 155	-	345 155	0%	0%
Other Non-Current Assets	-	-	-	-	-	-	-	0%	0%
Total Assets	365 184 000	-	-	364 987 000	543 219 822	-	178 232 822	149%	149%
Current Liabilities									
Consumer Deposits	214 000	-	-	214 000	660 213	-	446 213	309%	309%
Payables	15 891 000	-	-	15 891 000	70 262 107	-	54 371 107	442%	442%
Deferred Grant Revenue	-	-	-	-	-	-	-	0%	0%
Unspent Conditional Grants and Receipts	-	-	-	-	8 376 281	-	8 376 281	0%	0%
Short-term Loans	274 000	-	-	274 000	-	-	(274 000)	0%	0%
Bank Overdraft	5 000 000	-	-	5 000 000	-	-	(5 000 000)	0%	0%
Current Portion of Long-term Liabilities	-	-	-	-	417 739	-	417 739	0%	0%
Non-Current Liabilities									
Long-term Liabilities	6 209 000	-	-	6 209 000	22 572 453	-	16 363 453	364%	364%
Non-current Provisions	12 317 000	-	-	12 317 000	17 195 568	-	4 878 568	140%	140%
Total Liabilities	39 905 000	-	-	39 905 000	119 484 361	-	79 579 361	299.42	299.42
Total Assets and Liabilities	325 279 000	-	-	325 082 000	423 735 461	-	98 653 461	130%	130%
Net Assets (Equity)									
Accumulated Surplus / (Deficit)	325 279 000	-	-	325 279 000	423 735 461	-	98 456 461	130%	130%
Total Net Assets	325 279 000	-	-	325 279 000	423 735 461	-	98 456 461	130%	130%

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
FINANCIAL PERFORMANCE									
Revenue from Non-exchange Transactions									
Property Rates	14 587 000	-	-	14 587 000	6 632 446	-	(7 954 554)	45%	45%
Fair value gains	-	-	-	-	65 770	-	65 770	0%	0%
Fines	3 000 000	-	-	3 000 000	1 638 850	-	(1 361 150)	55%	55%
Licences and Permits	-	3 000	-	3 000	3 545	-	545	0%	0%
Government Grants and Subsidies Received	59 508 000	(5 000 000)	-	54 508 000	107 362 951	-	52 854 951	197%	180%
Public Contributions and Donations	-	-	-	-	1 345 459	-	1 345 459	0%	0%
Revenue from Exchange Transactions									
Service Charges	47 940 000	4 879 000	-	52 819 000	54 143 537	-	1 324 537	103%	113%
Rental of Facilities and Equipment	602 000	2 000	-	604 000	1 064 164	-	460 164	176%	177%
Interest Earned - External Investments	7 000	-	-	7 000	129 246	-	122 246	1846%	1846%
Interest Earned - Outstanding Debtors	-	-	-	-	805 766	-	805 766	0%	0%
Dividends Received	10 000	9 000	-	19 000	7 067	-	(11 933)	37%	71%
Other Income	6 678 000	503 000	-	7 181 000	1 340 274	-	(5 840 726)	19%	20%
Profit on Sale of Livestock	-	-	-	-	55 263	-	55 263	0%	0%
Total Revenue	132 332 000	396 000	-	132 728 000	174 594 339	-	41 866 339	132%	132%
Expenditure									
Employee Related Costs	52 491 000	2 185 000	-	54 676 000	55 991 776	-	1 315 776	102%	107%
Remuneration of Councillors	3 183 000	(117 000)	-	3 066 000	3 236 314	-	170 314	106%	102%
Depreciation and Amortisation	28 427 000	181 000	-	28 608 000	25 616 415	-	(2 991 585)	90%	90%
De-commissioning cost	-	-	-	-	1 375 457	-	1 375 457	0%	0%
Impairment Losses	9 563 000	4 389 000	-	13 952 000	22 712 919	-	8 760 919	163%	238%
Repairs and Maintenance	-	-	-	-	6 746 145	-	6 746 145	0%	0%
Finance Costs	2 504 000	225 000	-	2 729 000	4 428 348	-	1 699 348	162%	177%
Bulk Purchases	18 000 000	1 570 000	-	19 570 000	23 607 805	-	4 037 805	121%	131%
Contracted Services	89 000	495 000	-	584 000	3 679 564	-	3 095 564	630%	4134%
Grants and Subsidies Paid	5 763 000	(800 000)	-	4 963 000	4 871 358	-	(91 642)	98%	85%
General Expenses	38 376 000	(5 652 000)	-	32 724 000	23 381 909	-	(9 342 091)	71%	61%
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	355 416	-	355 416	0%	0%
Total Expenditure	158 396 000	2 476 000	-	160 872 000	176 003 426	(15 131 426)	15 131 426	109%	111%
Surplus/(Deficit)	(26 064 000)	(2 080 000)	-	(28 144 000)	(1 409 087)	15 131 426	26 734 913	5%	5%
Transfers Recognised - Capital	65 192 000	(5 000 000)	-	60 192 000	-	-	-	0%	0%
Contributions Recognised - Capital and Contributed Assets	(72 436 000)	10 012 000	-	(62 424 000)	1 409 087	-	-	-2%	-2%
Surplus/(Deficit) after Capital Transfers and Contributions	(33 308 000)	2 932 000	-	(30 376 000)	-	15 131 426	26 734 913	-	-
Surplus/(Deficit for the Year)	(33 308 000)	2 932 000	-	(30 376 000)	-	15 131 426	26 734 913	-	-

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
CAPITAL EXPENDITURE PER FUNCTION									
Executive and Council	7 000	(4 000)	-	3 000	1 558 298	-	1 555 298	0%	0%
Finance and Administration	795 000	119 000	-	914 000	159 312	-	(754 688)	17%	20%
Planning and Development	-	-	-	-	-	-	-	0%	0%
Community and Social Services	1 857 000	(1 511 000)	-	346 000	52 395	-	(293 605)	0%	3%
Housing	-	-	-	-	-	-	-	0%	0%
Sport and Recreation	3 565 000	(909 000)	-	2 656 000	942 518	-	(1 713 482)	35%	26%
Waste Management	1 346 000	(864 000)	-	482 000	-	-	(482 000)	0%	0%
Roads and Transport	12 630 000	(2 295 000)	-	10 335 000	8 689 842	-	(1 645 158)	84%	69%
Water	48 405 000	(4 523 000)	-	43 882 000	29 667 945	-	(14 214 055)	68%	61%
Electricity	3 666 000	-	-	3 666 000	4 087 227	-	421 227	111%	111%
Total Sources of Capital Funds	72 438 000	(10 012 000)	-	62 426 000	45 157 538		(17 268 462)	72%	62%
CASH FLOW									
Cash Flows from/(used in) Operating Activities									
Cash Receipts from Ratepayers, Government and Other	187 328 000	(4 614 000)	-	182 714 000	139 322 625	-	(43 391 375)	76%	74%
Cash Paid to Suppliers and Employees	(120 822 000)	(2 541 000)	-	(123 363 000)	(131 044 292)	-	(7 681 292)	106%	108%
Dividends received	10 000	9 000	-	19 000	7 067	-	(11 933)	37%	71%
Interest received	-	-	-	-	935 012	-	935 012	0%	0%
Interest paid	(2 382 000)	(321 000)	-	(2 703 000)	(4 428 348)	-	(1 725 348)	164%	186%
Transfers and Grants	(5 763 000)	800 000	-	(4 963 000)	-	-	4 963 000	0%	0%
Cash Flows from/(used in) Investing Activities									
Purchase of Property, Plant and Equipment	(72 436 000)	10 012 000	-	(62 424 000)	-	-	62 424 000	0%	0%
Proceeds on Disposal of Biological Assets	-	-	-	-	55 263	-	55 263	0%	0%
Cash Flows from/(used in) Financing Activities									
New Loans raised	-	-	-	-	-	-	-	0%	0%
Loans repaid	272 000	-	-	272 000	207 859	-	(64 141)	0%	76%
Net Increase / (Decrease) in Cash held	(13 171 000)	3 345 000	-	(9 826 000)	5 055 185	-	14 881 185	-51%	-38%
Financial Position: Explanation of Variances between Approved Budget and Actual									
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:									
Financial Performance: Explanation of Variances between Approved Budget and Actual									
For reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, please refer to Annexure "E (1)".									
Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual									
For reasons for Variances greater than 10% between Approved Budget and Actual Amount, please refer to Annexure "E (2)".									

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION									
Current Assets									
Inventories	4 851 000	-	-	4 851 000	790 723	-	(4 060 277)	16%	16%
Inventories Held-for-Sale	-	-	-	-	27 640 500	-	27 640 500	0%	0%
Receivables from Exchange Transactions	18 208 000	-	-	18 208 000	2 463 457	-	(15 744 543)	14%	14%
Receivables from Non-exchange Transactions	-	-	-	-	649 064	-	649 064	0%	0%
VAT Receivable	-	-	-	-	4 542 713	-	4 542 713	0%	0%
Cash and Cash Equivalents	289 000	-	-	289 000	328 214	-	39 214	114%	114%
Sundry Debtors	1 158 000	-	-	1 158 000	1 004 996	-	(153 004)	87%	87%
Non-Current Assets									
Property, Plant and Equipment	343 256 000	-	-	343 256 000	455 253 835	-	111 997 835	133%	133%
Investment Property	20 519 000	-	-	20 519 000	17 746 665	-	(2 772 335)	0%	0%
Biological Assets	431 000	-	-	431 000	240 031	-	(190 969)	56%	56%
Intangible Assets	534 000	-	-	534 000	-	-	-	0%	0%
Non-current Investments	-	-	-	-	285 604	-	285 604	0%	0%
Other Non-Current Assets	113 000	-	-	113 000	-	-	(113 000)	0%	0%
Total Assets	389 359 000	-	-	389 359 000	510 945 802	-	122 120 802	131%	131%
Current Liabilities									
Consumer Deposits	164 000	-	-	164 000	615 562	-	451 562	375%	375%
Payables	1 983 000	-	-	1 983 000	47 323 634	-	45 340 634	2386%	2386%
Deferred grant revenue	-	-	-	-	90 439	-	90 439	0%	0%
Unspent Conditional Grants and Receipts	-	-	-	-	6 072 722	-	6 072 722	0%	0%
Provisions	470 000	-	-	470 000	-	-	(470 000)	0%	0%
Bank Overdraft	4 915 000	-	-	4 915 000	2 076 232	-	(2 838 768)	0%	0%
Current Portion of Long-term Liabilities	-	-	-	-	408 795	-	408 795	0%	0%
Non-Current Liabilities									
Long-term Liabilities	1 262 000	-	-	1 262 000	12 756 991	-	11 494 991	1011%	1011%
Non-current Provisions	18 977 000	-	-	18 977 000	16 490 654	-	(2 486 346)	87%	87%
Total Liabilities	27 771 000	-	-	27 771 000	85 835 029	-	58 064 029	309%	309%
Total Assets and Liabilities	361 588 000	-	-	361 588 000	425 110 773	-	64 056 773	118%	118%
Net Assets (Equity)									
Accumulated Surplus / (Deficit)	361 588 000	-	-	361 588 000	424 876 147	-	63 288 147	118%	118%
Total Net Assets	51 642 000	-	-	361 588 000	424 876 147	-	63 288 147	118%	823%

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
FINANCIAL PERFORMANCE									
Revenue from Non-exchange Transactions									
Property Rates	9 271 000	4 633 000	-	13 904 000	6 055 112	-	(7 848 888)	44%	65%
Fair value gains	-	-	-	-	211 931	-	211 931	0%	0%
Fines	3 000 000	(2 500 000)	-	500 000	874 540	-	374 540	100%	0%
Licences and Permits	-	-	-	-	132	-	132	0%	0%
Government Grants and Subsidies Received	59 125 000	(7 000 000)	-	52 125 000	94 606 442	-	42 481 442	181%	160%
Public Contributions and Donations	-	-	-	-	970 424	-	970 424	0%	0%
Revenue from Exchange Transactions									
Service Charges	39 566 000	3 888 000	-	43 454 000	40 965 596	-	(2 488 404)	94%	104%
Rental of Facilities and Equipment	2 469 000	(1 898 000)	-	571 000	574 998	-	3 998	100%	0%
Interest Earned - External Investments	2 000	4 000	-	6 000	175 822	-	169 822	2930%	8791%
Interest Earned - Outstanding Debtors	-	-	-	-	8 084 890	-	8 084 890	100%	0%
Dividends Received	9 000	-	-	9 000	8 925	-	(75)	100%	0%
Other Income	6 515 000	(1 929 000)	-	4 586 000	964 837	-	(3 621 163)	21%	15%
Profit on Sale of livestock	-	-	-	-	43 982	-	43 982	0.00	0.00
Total Revenue	119 957 000	(4 802 000)	-	115 155 000	153 537 631	-	38 382 631	133%	128%
Expenditure									
Employee Related Costs	49 016 000	(480 000)	-	48 536 000	52 766 457	-	4 230 457	109%	108%
Remuneration of Councillors	2 963 000	23 000	-	2 986 000	3 065 340	-	79 340	103%	103%
Depreciation and Amortisation	21 952 000	6 000 000	-	27 952 000	25 776 667	-	(2 175 333)	92%	0%
De-commissioning cost	-	-	-	-	1 375 457	-	1 375 457	0%	0%
Impairment Losses	4 748 000	862 000	-	5 610 000	22 554 982	-	16 944 982	402%	475%
Repairs and Maintenance	-	-	-	-	1 698 199	-	1 698 199	0%	0%
Finance Costs	537 000	(225 000)	-	312 000	2 191 427	-	1 879 427	702%	408%
Bulk Purchases	16 000 000	-	-	16 000 000	19 755 688	-	3 755 688	0%	123%
Contracted Services	312 000	(153 000)	-	159 000	5 393 623	-	5 234 623	3392%	1729%
Grants and Subsidies Paid	5 850 000	-	-	5 850 000	3 014 720	-	(2 835 280)	52%	52%
General Expenses	33 461 000	1 174 000	-	34 635 000	28 193 557	-	(6 441 443)	81%	84%
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	298 128	-	298 128	0%	0%
Total Expenditure	134 839 000	7 201 000	-	142 040 000	166 084 245	27 617 260	24 044 245	117%	123%
Surplus/(Deficit)	(14 882 000)	(12 003 000)	-	(26 885 000)	(12 546 615)	(27 617 260)	14 338 385	47%	84%
Transfers Recognised - Capital	41 887 000	(2 100 000)	-	39 787 000	-	-	-	0.00	0.00
Contributions Recognised - Capital and Contributed Assets	(49 371 000)	8 004 000	-	(41 367 000)	-	-	-	0.00	0.00
Surplus/(Deficit) after Capital Transfers and Contributions	(22 366 000)	(6 099 000)	-	(28 465 000)	(12 546 615)	(27 617 260)	14 338 385	44%	56%
Surplus/(Deficit for the Year	(22 366 000)	(6 099 000)	-	(28 465 000)	(12 546 615)	(27 617 260)	14 338 385		

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
CAPITAL EXPENDITURE PER FUNCTION									
Executive and Council	-	-	-	-	78 480	-	78 480	0%	0%
Finance and Administration	331 000	463 000	-	794 000	2 704 590	-	1 910 590	341%	817%
Planning and Development	-	-	-	-	9 000	-	9 000	0%	0%
Community and Social Services	27 000	(27 000)	-	-	2 556 246	-	2 556 246	0%	0%
Housing	-	-	-	-	312	-	312	0%	0%
Sport and Recreation	3 022 000	(219 000)	-	2 803 000	22 768 924	-	19 965 924	812%	0%
Waste Management	11 864 000	-	-	11 864 000	-	-	(11 864 000)	0%	0%
Roads and Transport	7 230 000	(6 230 000)	-	1 000 000	-	-	(1 000 000)	0%	0%
Water	25 116 000	(1 992 000)	-	23 124 000	11 021 396	-	(12 102 604)	48%	44%
Electricity	1 781 000	-	-	1 781 000	3 684 211	-	1 903 211	0%	0%
Total Sources of Capital Funds	49 371 000	(8 005 000)	-	41 366 000	42 823 159	-	1 457 159	104%	87%
CASH FLOW									
Cash Flows from/(used in) Operating Activities									
Cash Receipts from Ratepayers, Government and Other	157 083 000	(8 263 000)	-	148 820 000	111 634 981	-	(37 185 019)	75%	71%
Cash Paid to Suppliers and Employees	(105 969 000)	(1 078 000)	-	(107 047 000)	(90 631 776)	-	16 415 224	85%	86%
Dividends received	9 000	-	-	9 000	8 925	-	(75)	99%	99%
Interest received	5 000	500 000	-	505 000	8 260 712	-	7 755 712	1636%	165214%
Interest paid	(605 000)	366 000	-	(239 000)	(2 191 427)	-	(1 952 427)	917%	362%
Transfers and Grants	(5 850 000)	-	-	(5 850 000)	-	-	5 850 000	0%	0%
Cash Flows from/(used in) Investing Activities									
Purchase of Property, Plant and Equipment	(49 371 000)	8 004 000	-	(41 367 000)	(34 113 494)	-	7 253 506	82%	69%
Decrease / (Increase) in Non-current Investments	-	-	-	-	252 482	-	252 482	0%	0%
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	-	0%	0%
Cash Flows from/(used in) Financing Activities									
New Loans raised	5 800 000	(5 800 000)	-	-	4 829 825	4 829 825	4 829 825	0%	83%
Increase / (Decrease) in Consumer deposits	60 000	(60 000)	-	-	-	-	-	0%	0%
Net Increase / (Decrease) in Cash held	1 162 000	(6 331 000)	-	(5 169 000)	(1 949 772)	4 829 825	3 219 228	38%	-168%
Financial Performance: Explanation of Variances between Approved Budget and Actual									
For reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, please refer to Annexure "E (1)".									
Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual									
For reasons for Variances greater than 10% between Approved Budget and Actual Amount, please refer to Annexure "E (2)".									

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2014/15		2013/14
	R		R
Net surplus/(deficit) per the statement of financial performance	(1 409 087)		(12 552 096)
Revenue from Non-exchange Transactions			
Property Rates	7 954 554		7 848 888
Fines	1 361 150		(374 540)
Licences and Permits	(545)		(132)
Government Grants and Subsidies Received	(52 854 951)		(42 481 442)
Public Contributions and Donations	(1 345 459)		(970 424)
Revenue from Exchange Transactions			
Service Charges	(1 324 537)		2 488 404
Rental of Facilities and Equipment	(460 164)		(3 998)
Interest Earned - External Investments	(122 246)		(169 822)
Interest Earned - Outstanding Debtors	(805 766)		(8 084 890)
Profit on Sale of livestock	-		-
Dividends Received	11 933		75
Fair Value Gains	(65 770)		(211 931)
Other Revenue	5 840 726		3 621 163
Profit on sale of Livestock	(55 263)		(43 982)
Expenditure			
Employee Related Costs	1 315 776		4 230 457
Remuneration of Councillors	170 314		79 340
Depreciation and Amortisation	(2 991 585)		(2 169 853)
De-commissioning cost	1 375 457		1 375 457
Impairment Losses	8 760 919		16 944 982
Repairs and Maintenance	6 746 145		1 698 199
Finance Costs	1 699 348		1 879 427
Bulk Purchases	4 037 805		3 755 688
Contracted Services	3 095 564		5 234 623
Grants and Subsidies Paid	(91 642)		(2 835 280)
General Expenses	(9 342 091)		(6 441 442)
Loss on Disposal of Property, Plant and Equipment	355 416		298 128
Net surplus/deficit per approved budget	(28 144 000)		(26 885 000)

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2015 and 30 June 2014 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 11.2 on *Revenue from Exchange Transactions* and Accounting Policy 11.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1. 2. 2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on *Financial Assets Classification* and Accounting Policy 8.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 3 Impairment of Financial Assets

Accounting Policy 8.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments* and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1. 2. 4 Useful lives of Property, Plant and Equipment and Intangible assets

As described in Accounting Policies 3.3 the municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1. 2. 5 Impairment: Write down of Property, Plant and Equipment, Intangible assets, Heritage assets and Inventories

Accounting Policy 7 on *PPE - Impairment of assets* and Accounting Policy 4.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 9.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: *Impairment of Cash generating Assets* and GRAP 26: *Impairment of non-Cash generating Assets*. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management.

1. 2. 6 Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via manual level meters, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Note 9.2 of the accounting policy to the Annual Financial Statements.

1. 2. 7 Defined Benefit Plan Liabilities

As described in Accounting Policy 13, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 46 to the Annual Financial Statements. No liability existed at year end.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 8 Provisions and contingent liabilities

Provision for Rehabilitation of Refuse Landfill Sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 5.04% (2014: 5%) and discounted to the present value:

- a) For landfill sites with a remaining operating life of less than 5 years, at the average short term borrowing cost of 11.14% (2014: 11.14%).
- b) For landfill sites with a remaining operating life of greater than 5 years, at the average long-term treasury bond rate 4.09% (2014: 4.09%).

1. 2. 9 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 5% deviation exists. All material differences are explained in the notes to the annual financial statements

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

1. 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 20 Related Party Disclosures (Revised)
- GRAP 105 Transfers between entities under common control - issued November 2010
- GRAP 106 Transfers between entities not under common control - issued November 2010
- GRAP 107 Mergers - issued November 2010

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. BASIS OF PRESENTATION (continued)

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

GRAP 18 - Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management. Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

Requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to management of the entity. The precise impact of this on the financial statements of the Municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

GRAP 20 – Related party disclosures

The effective date of the standard has not been determined yet. The standard of GRAP on related parties will replace the IPSAS 20 standard on related party disclosure currently used. No significant impact on the financial statements of the Municipality is expected.

GRAP 105 – Transfer of Function Between Entities Under common Control

This standard provides the accounting treatment for transfers of functions between entities under common control. However the impact on the Municipality's financial statements is not expected to be significant due to the fact that the Municipality rarely enters into such transactions. The standard is only expected to have an impact on the Municipality in respect of any future transfers of functions. This standard does not yet have an effective date.

GRAP 106 – Transfer of Function Between Entities Not Under common Control

This standard deals with other transfers of functions (i.e. between entities not under common control) and requires the entity to measure transferred assets and liabilities at fair value. It is unlikely that the Municipality will enter into any such transactions in the near future. This standard does not yet have an effective date.

GRAP 107 – Mergers

This standard deals with requirements for accounting for a merger between two or more entities, and is unlikely to have an impact on the financial statements of the Municipality in the foreseeable future. This standard does not yet have an effective date.

2. ACCUMULATED SURPLUS

Accumulated surplus is updated on a yearly basis with the net deficit or net loss, whichever is applicable for the financial period's results.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, excluding properties held for transfer, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent to initial recognition infrastructure are carried at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 2 Subsequent Measurement (continued)

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

Infrastructure	Years	Buildings	Years
Roads and Paving	100		20 - 100
<u>Significant components:</u>		Other	
Road surface - Gravel	5	Specialist Vehicles	10
Road structural layer (access)	80	Other Vehicles	7
Road surface - Bituminous - Thin	7	Office Equipment	4 - 7
Road structural layer - Collector	50	Furniture and Fittings	4 - 7
Road structural layer - Distributor	30	Bins and Containers	4
Road surface - Bituminous - Med	9	Specialised Plant and Equipment	10
Road surface - Bituminous - Thick	12		
Road surface - Concrete block	15	Community	
Electricity	45 - 50	Recreational Facilities	15 - 80
<u>Significant components:</u>		Security	5
Mini-Sub	45		
MV Power Transformer	45		
MV Switch gear - circuit breaker	45		
MV Switch gear - isolating link	30		
Circuit breaker panel	50		
Battery charger	10		
Water	20 - 80		
Sewerage	40 - 80		
Landfill Sites	5 - 100		

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

3. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. 6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

3. 7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3. 8 Derecognition of property, plant and equipment

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

4. Heritage Assets

An heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

4. 1 Initial Recognition

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

4. 2 Subsequent Measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

4. 3 Derecognition of Heritage assets

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

Transitional provisions

The municipality utilised the transitional provisions under Directive 4, which allows 3 year for the measurement of heritage assets.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

5. INTANGIBLE ASSETS

5. 1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

5. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

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5. INTANGIBLE ASSETS (continued)

5. 3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Transitional provisions

Intangible assets recognised in terms of GRAP 102 have been presented for the financial year ended 30 June 2011 (and retrospectively where practicable) in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 4.

6. INVESTMENT PROPERTY

6. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

6. 2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation (30 July 2014). Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

6. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal

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7. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

7. 1. *Impairment of Cash generating assets*

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset"

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

7. 2 *Impairment of Non-Cash generating assets*

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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7. IMPAIRMENT OF ASSETS (continued)

7. 2 Impairment of Non-Cash generating assets (continued)

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

8. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The effective interest rate method

Amortised cost

The entity uses an appropriate interest rate, taking into account guidance provided in the standards, and applying professional judgement to the specific circumstances, to discount future cash flows. The entity used the following in arriving at the effective interest rate used:

No	Consideration	Inputs related to the consideration
1	Base rate used as starting point	Prime rate of lending 9,5%
2	Adjustments for industry risks	None
3	Adjustment for entity risks	None

8. 1 Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) derivatives;
- (b) combined instruments that are designated at fair value
- (c) instruments held for trading.
- (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

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8. FINANCIAL INSTRUMENTS (continued)

8. 1 Financial Assets - Classification (continued)

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial asset at amortised cost
Bank Balances and Cash	Financial asset at amortised cost
Non-Current Investments	Financial asset at fair value
Consumer Debtors	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost
Investments in Fixed Deposits	Financial asset at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

8. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Financial liabilities measured at fair value or
- (ii) Financial liabilities measured at amortised cost
- (iii) Financial liabilities measured at cost

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Long term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short-term Loans	Financial liability at amortised cost
Current portion of Long-Term Liabilities	Financial liability at amortised cost

Financial liabilities that are measured at fair value financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

8. 3 Initial and Subsequent Measurement

8. 3. 1 Financial Assets:

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis. .

Financial Assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

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8. FINANCIAL INSTRUMENTS (continued)

8. 3 Initial and Subsequent Measurement (continued)

8. 3. 2 Financial Liabilities:

Financial liabilities measured at fair value

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, including consumer deposits, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

8. 4 Impairment of Financial Assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Accounts receivables encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Impairment of Financial Assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

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8. FINANCIAL INSTRUMENTS (continued)

8. 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

8. 6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

9. INVENTORIES

9. 1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

9. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties

Unsold properties are valued at Fair Value as determined at year end.

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9. INVENTORIES (continued)

9. 2 Subsequent Measurement (continued)

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

10. NON-CURRENT ASSETS HELD-FOR-SALE

10. 1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

10. 2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

11. REVENUE RECOGNITION

11. 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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11. REVENUE RECOGNITION (continued)

11. 2 Revenue from Exchange Transactions

11. 2. 1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

11. 2. 2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

11. 2. 3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

11. 2. 4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

11. 2. 5 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

11. 2. 6 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

11. 2. 7 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

11. 2. 8 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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11. REVENUE RECOGNITION (continued)

11. 3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

11. 3. 1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

11. 3. 2 Fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the entity.

11. 3. 3 Public contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

11. REVENUE RECOGNITION (continued)

11. 3 Revenue from Non-exchange Transactions (continued)

11. 3. 4 Government Grants and receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional Grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when expenses are incurred to construct the items of property, plant and equipment.

11. 3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

12. PROVISIONS

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

13. EMPLOYEE BENEFITS

13. 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13. 2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

13. 2 1 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13. 3 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

13. 3. 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

13. 3. 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

13. EMPLOYEE BENEFITS

13. 3 Defined Benefit Plans (continued)

13. 3. 3 Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

13. 3. 4 Defined benefit pension plans

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

14. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

14. 1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

14. LEASES (continued)

14. 1 The Municipality as Lessee (continued)

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14. 2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

14. 3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

15. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2014 in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

16. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

17. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. Council will implement investigations on the unauthorised expenses. If a liable person has been identified and the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

19. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. Council will implement investigations on the irregular expenses. If a liable person has been identified and the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. Council will implement investigations on the irregular expenses. If a liable person has been identified and the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 35 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 36 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Related parties to management will be disclosed regardless if any transactions took place between the Municipality and the related parties. All transactions that took place between the Municipality and any related party will be disclosed in the financial statements at its monetary value.

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

24. COMPARATIVE INFORMATION

24. 1 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

24. 2 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2012 to 30 June 2014.

25. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

26. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

27. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

28. BIOLOGICAL ASSETS

A biological asset is described as a living animal or plant which is under the control of the Municipality wherefore the fair value or cost can be determined reliably.

Initial recognition

Biological assets shall be initially recognised at purchase cost when purgased or fair value in the case of newborn animals or donated plants.

The determination of fair value for a biological asset may be facilitated by grouping biological assets according to significant attributes; for example, by age or quality. The Municipality selects the attributes corresponding to the attributes used in the market as a basis for pricing.

Subsequent Measurement

The fair value of the biological assets shall be determined on an annuual basis.

Gains and losses

A gain or loss arising on initial recognition of a biological asset at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological asset shall be included in surplus or deficit for the period in which it arises.

Disclosure in the Financial statements

The Municipality shall provide a description of each group of biological assets.

Included in the financial statements shall be a description of:

- (a) the nature of its activities involving each group of biological assets; and
- (b) non-financial measures or estimates of the physical quantities of:
 - (i) each group of the entity's biological assets at the end of the period; and
 - (ii) output of agricultural produce during the period.

The Municipality shall disclose the methods and significant assumptions applied in determining the fair value of each group of biological assets.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. GENERAL INFORMATION

Mohokare Local Municipality ("the municipality") is a local government institution in Zastron, Smithfield and Rouxville towns in the Xhariep district, Free State Province. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

	2015	2014
	R	R
Maintenance Materials - at cost	336 137	223 527
Spare Parts - at cost	404 379	544 051
Water - at cost	24 492	23 145
Inventories	<u>765 008</u>	<u>790 723</u>
Properties held for transfer	27 640 500	27 640 500
Total Inventories	<u>28 405 508</u>	<u>28 431 223</u>
Consumable Inventory Expensed during the financial period	374 465	990 013

Erven held for transfer are properties owned by the Municipality wherefore the ownership will be transferred to new owners. These erven relate mainly to the RDP housing project implemented by the Government.

The cost of water production for the year amounted to R4,33 per kilolitre (2014: R4,62 per kilolitre) in Zastron, R5,45 per kilolitre (2014: R5,26 per kilolitre) in Rouxville and R4,10 per kilolitre (2014: R8,27 per kilolitre) in Smithfield.

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2015			
Service Debtors:	80 865 264	72 995 595	7 869 668
Electricity	3 667 477	364 010	3 303 466
Refuse	17 758 727	17 329 659	429 068
Sewerage	23 941 811	22 978 991	962 821
Water	35 497 249	32 322 935	3 174 314
Other Receivables	8 658 742	8 306 074	352 667
Housing	1 707 828	1 442 792	265 035
Other Debtors	6 950 914	6 863 282	87 632
Total Receivables from Exchange Transactions	<u>89 524 006</u>	<u>81 301 669</u>	<u>8 222 335</u>
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2014			
Service Debtors:	63 833 233	61 535 003	2 298 229
Electricity	771 770	220 415	551 355
Refuse	14 296 840	14 109 863	186 977
Sewerage	18 965 204	18 295 841	669 363
Water	29 799 419	28 908 884	890 535
Other Receivables	17 797 303	17 632 076	165 227
Housing	1 090 630	974 540	116 090
Other Debtors	16 706 673	16 657 536	49 137
Total Receivables from Exchange Transactions	<u>81 630 536</u>	<u>79 167 080</u>	<u>2 463 457</u>

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality receives applications for connections to services like electricity and water, that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no individual consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2015, the municipality is owed R20 075 230.34 (30 June 2014: R25 156 896) by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratio's of the municipality's Receivables.

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2015

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	611 667	61 653	116 877	2 877 279	3 667 477
Less: Provision for Impairment	-	-	-	364 010	364 010
Net Balances	611 667	61 653	116 877	2 513 269	3 303 466
Refuse:					
Gross Balances	477 244	436 731	427 162	16 417 589	17 758 726
Less: Provision for Impairment	401 331	408 300	401 934	16 118 094	17 329 659
Net Balances	75 913	28 431	25 228	299 495	429 067
Sewerage:					
Gross Balances	742 807	652 032	630 589	21 916 383	23 941 811
Less: Provision for Impairment	552 150.81	581 156.71	562 989.97	21 282 693.09	22 978 991
Net Balances	190 657	70 875	67 599	633 689	962 821
Water:					
Gross Balances	1 325 553	1 122 297	1 132 889	31 916 510	35 497 249
Less: Provision for Impairment	1 143 251.44	998 804.71	1 010 620.99	29 170 257.94	32 322 935
Net Balances	182 301	123 492	122 268	2 746 253	3 174 314
Other Receivables:					
Gross Balances	101 431	89 024	88 943	8 379 343	8 658 742
Less: Provision for Impairment	69 145	67 307	65 876	8 103 747	8 306 074
Net Balances	32 286	21 718	23 067	275 597	352 668

As at 30 June 2015 Receivables of R7 129 511 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	2 361 737	2 396 461	81 507 105	86 265 302
Less: Provision for Impairment	2 055 568	2 041 421	75 038 802	79 135 792
Net Balances	306 168	355 040	6 468 302	7 129 511

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

As at 30 June 2014

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	27	27	27	771 688	771 770
Less: Provision for Impairment	27	27	27	220 333	220 415
Net Balances	-	-	-	551 355	551 355
Refuse:					
Gross Balances	338 276	328 350	321 150	13 309 065	14 296 840
Less: Provision for Impairment	307 134	313 656	308 174	13 180 899	14 109 863
Net Balances	31 142	14 694	12 976	128 166	186 977
Sewerage:					
Gross Balances	504 232	491 653	462 532	17 506 788	18 965 204
Less: Provision for Impairment	410 767	425 253	415 857	17 043 965	18 295 841
Net Balances	93 465	66 400	46 675	462 823	669 363
Water:					
Gross Balances	1 115 937	966 562	805 369	26 911 551	29 799 419
Less: Provision for Impairment	903 270	906 942	767 558	26 331 114	28 908 884
Net Balances	212 667	59 620	37 811	580 437	890 535
Other Receivables:					
Gross Balances	154 791	121 538	119 498	17 401 475	17 797 303
Less: Provision for Impairment	139 642	111 222	110 804	17 270 408	17 632 076
Net Balances	15 149	10 316	8 694	131 067	165 227

As at 30 June 2014 Receivables of R2 111 034 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	1 908 130	1 708 577	75 900 567	79 517 274
Less: Provision for Impairment	1 757 100	1 602 421	74 046 719	77 406 240
Net Balances	151 030	106 156	1 853 848	2 111 034

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

3.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other	Total
	R	R	R	R	R
As at 30 June 2015					
<u>Current:</u>					
0 - 30 days	1 739 347	144 003	555 687	207 999	2 647 036
<u>Past Due:</u>					
31 - 60 Days	1 483 576	106 438	489 362	175 067	2 254 443
61 - 90 Days	1 520 164	96 322	420 253	173 735	2 210 474
+ 90 Days	52 624 666	2 177 359	17 867 428	6 075 122	78 744 575
Sub-total	57 367 754	2 524 122	19 332 728	6 631 924	85 856 528
Less: Provision for Impairment	53 812 094	2 089 849	18 649 640	6 386 076	80 937 659
Total Trade Receivables by Customer Classification	3 555 660	434 273	683 088	245 848	4 918 869

*The ageing of electricity receivable was not included in the above calculation.

	Household	Industrial/ Commercial	National and Provincial Government	Other	Total
	R	R	R	R	R
As at 30 June 2014					
<u>Current:</u>					
0 - 30 days	1 077 396	102 699	681 868	298 042	2 160 005
<u>Past Due:</u>					
31 - 60 Days	1 024 273	71 383	634 505	227 663	1 957 824
61 - 90 Days	933 417	71 948	551 983	196 990	1 754 338
+ 90 Days	44 549 528	5 852 847	23 288 541	9 412 109	83 103 025
Sub-total	47 584 614	6 098 878	25 156 896	10 134 804	88 975 192
Less: Provision for Impairment	46 222 875	5 791 234	23 843 638	10 006 666	85 864 413
Total Trade Receivables by Customer Classification	1 361 739	307 644	1 313 258	128 138	3 110 779

*The ageing of electricity receivable was not included in the above calculation.

3.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	79 167 080	70 845 752
<i>All Consumer Debtors</i>	79 167 080	70 845 752
Impairment Losses recognised - Including VAT	19 818 647	23 739 502
<i>All Consumer Debtors</i>	19 818 647	23 739 502
Amounts written off as uncollectable	(18 048 068)	(15 418 174)
<i>All Consumer Debtors</i>	(18 048 068)	(15 418 174)
Balance at end of year	80 937 659	79 167 080

In determining the recoverability of a Receivable, the municipality considers any change in the credit quality of the Receivable from the date credit was initially granted up to the reporting date. Furthermore, the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the Provision for Impairment.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

3.4 Ageing of impaired Receivables from Exchange Transactions

	2015	2014 R
<u>Current:</u>		
0 - 30 Days	2 165 878	1 760 840
<u>Past Due:</u>		
31 - 60 Days	2 055 568	1 757 100
61 - 90 Days	2 041 421	1 602 421
+ 90 Days	75 038 802	74 046 719
Total	81 301 669	79 167 080

3.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2015			
Assessment Rates Debtors	9 974 783	8 756 295	1 218 488
Total Receivables from Non-exchange Transactions	9 974 783	8 756 295	1 218 488
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2014			
Assessment Rates Debtors	7 629 180	6 980 116	649 064
Total Receivables from Non-exchange Transactions	7 629 180	6 980 116	649 064

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2015

	Current 0 - 30 days	Past Due 31 - 60 Days	61 - 90 Days	+ 90 Days	Total
Assessment Rates:					
Gross Balances	91 805	69 166	81 868	9 731 943	9 974 783
Less: Provision for Impairment	66 710	54 403	68 988	8 566 194	8 756 295
Net Balances	25 096	14 764	12 880	1 165 749	1 218 488

As at 30 June 2015 Receivables of R1 193 393 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due 31 - 60 Days	61 - 90 Days	+ 90 Days	Total
All Receivables:				
Gross Balances	69 166	81 868	9 731 943	9 882 978
Less: Provision for Impairment	54 403	68 988	8 566 194	8 689 585
Net Balances	14 764	12 880	1 165 749	1 193 393

As at 30 June 2014

	Current 0 - 30 days	Past Due 31 - 60 Days	61 - 90 Days	+ 90 Days	Total
Assessment Rates:					
Gross Balances	48 562	51 484	47 548	7 481 586	7 629 180
Less: Provision for Impairment	42 292	46 503	42 669	6 848 652	6 980 116
Net Balances	6 270	4 981	4 879	632 934	649 064

As at 30 June 2014 Receivables of R642 794 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due 31 - 60 Days	61 - 90 Days	+ 90 Days	Total
All Receivables:				
Gross Balances	51 484	47 548	7 481 586	7 580 618
Less: Provision for Impairment	46 503	42 669	6 848 652	6 937 824
Net Balances	4 981	4 879	632 934	642 794

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

4.2 Summary of Assessment Rates Debtors by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other	Total
	R	R	R	R	R
As at 30 June 2015					
<u>Current:</u>					
0 - 30 days	21 857	63517.76	4 652	1 779	91 805
<u>Past Due:</u>					
31 - 60 Days	16 707	46063.98	4 642	1 753	69 166
61 - 90 Days	17 952	45431.74	16 731	1 753	81 868
+ 90 Days	3 396 953	5337516.57	716 476	280 998	9 731 943
Sub-total	3 453 469	5 492 530	742 502	286 283	9 974 783
Less: Provision for Impairment	3 031 315	5 007 495	438 089	279 396	8 756 295
Total Rates Debtors by Customer Classification	422 153	485 035	304 413	6 887	1 218 488

	Household	Industrial/ Commercial	National and Provincial Government	Other	Total
	R	R	R	R	R
As at 30 June 2014					
<u>Current:</u>					
0 - 30 days	14 115	31448.12	1 180	1 819	48 562
<u>Past Due:</u>					
31 - 60 Days	17 646	30893.52	1 154	1 791	51 485
61 - 90 Days	14 020	30588.4	1 154	1 787	47 549
+ 90 Days	2 763 425	3815273.02	623 760	279 128	7 481 586
Sub-total	2 809 206	3 908 203	627 248	284 525	7 629 182
Less: Provision for Impairment	2 718 239	3729105.92	249 991	282 782	6 980 118
Total Rates Debtors by Customer Classification	90 968	179 097	377 256	1 743	649 064

2015
2014
R

4.3 Reconciliation of Provision for Impairment

Balance at beginning of year	6 980 116	6 275 779
Assessment Rates Debtors	6 980 116	6 275 779
Impairment Losses recognised	2 420 512	977 540
Assessment Rates Debtors	2 420 512	977 540
Amounts written off as uncollectable	(644 333)	(273 203)
Assessment Rates Debtors	(644 333)	(273 203)
Balance at end of year	8 756 295	6 980 116

4.4 Sundry Debtors

	2 182 791	1 004 996
Traffic fines	1 631 642	617 850
Payments made in advance	10	10
Other Sundry Debtors	551 139	387 136

4.4.1 Reconciliation of Traffic fines

Balance at beginning of year	617 850	
Traffic fines issued during the year	1 638 850	874 540
Payments received	(265 750)	(126 240)
Written off as bad debt	(114 850)	
Provision for impairment	(244 458)	(130 450)
Closing balance	1 631 642	617 850

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

5. VAT RECEIVABLE / (PAYABLE)

Vat Payable.	(2 471 320)	(1 885 946)
Vat Receivable.	13 386 545	6 428 659
Vat Receivable / (Payable)	10 915 225	4 542 713

The Municipality is registered on the payment basis, therefore input and output VAT is declared based on the cashflow of the Municipality.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

6. CASH AND CASH EQUIVALENTS

Current Investments	168 952	163 083
Bank Accounts	774 991	163 951
Bank Overdraft	-	(2 076 232)
Cash and Cash Equivalents	1 180	1 180

Total Bank, Cash and Cash Equivalents	945 122	(1 748 018)
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For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

6.1 Current Investment Deposits

Call Deposits	168 952	163 083
Deposits available for Operations	168 952	163 083

Total Deposits attributable to Commitments of the Municipality	168 952	163 083
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6.2 Bank Accounts

Cash in Bank	569 344	163 951
Bank Overdraft	-	(2 076 232)

Total Bank Accounts	569 344	(1 912 281)
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Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The Municipality has the following bank accounts:

	2015	2014
	R	R
Primary Bank Account		
<i>ABSA Bank - Zastron Branch, Zastron - ChequeAccount Number 4052654487:</i>		
Cash book balance at beginning of year	(2 076 232)	(86 319)
Cash book balance at end of year	<u>774 991</u>	<u>(2 076 232)</u>
Bank statement balance at beginning of year	(2 174 706)	55 885
Bank statement balance at end of year	<u>358 642</u>	<u>(2 174 706)</u>
Other Bank Accounts		
<i>ABSA Bank - Zastron Branch, Zastron - Savings Account Number 2810000018:</i>		
Cash book balance at beginning of year	(137)	526
Cash book balance at end of year	<u>901</u>	<u>(137)</u>
Bank statement balance at beginning of year	(137)	526
Bank statement balance at end of year	<u>901</u>	<u>(137)</u>
<i>Standard Bank - Zastron Branch, Zastron - ChequeAccount Number 041952766:</i>		
Cash book balance at beginning of year	81 007	5 549
Cash book balance at end of year	<u>139 097</u>	<u>81 007</u>
Bank statement balance at beginning of year	81 007	5 549
Bank statement balance at end of year	<u>139 097</u>	<u>81 007</u>
<i>First National Bank - Zastron Branch, Zastron - ChequeAccount Number 53593549308:</i>		
Cash book balance at beginning of year	83 081	4 212
Cash book balance at end of year	<u>70 703</u>	<u>83 081</u>
Bank statement balance at beginning of year	83 202	4 212
Bank statement balance at end of year	<u>70 824</u>	<u>83 202</u>

An amount of R7 503 181 (2014: R6 072 722) is attributable to Unspent Conditional Grants.

At year-end, the municipality had a positive bank balance of R358 642 on its current account. The municipality has an overdraft facility available on the current account with their banker and will incur interest on the overdrawn current account when applicable. The municipality also has a facility to an amount of R150 000 with its banker relating to fleet cards is also Interest is earned at different rates per annum on favourable balances.

6.3 Cash and Cash Equivalents

Cash Floats and Advances	1 180	1 180
Total Cash on hand in Cash Floats, Advances and Equivalents	<u>1 180</u>	<u>1 180</u>

A Pledge of R25 000 in favour of Eskom is held with First National Bank. A Limited cession of R20 000 is held with ABSA Bank

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

7 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Assets under Finance-Leases	Total
Restated	R	R	R	R	R	R
Carrying values at 1 July 2014	18 462 417	373 950 116	53 812 251	8 238 239	763 053	455 226 076
Cost	41 055 040	674 792 641	127 401 464	13 849 675	2 136 120	859 234 940
- Completed Assets	38 382 723	616 411 262	127 401 464	13 849 675	2 136 120	798 181 244
- Under Construction	2 672 317	58 381 379	-	-	-	61 053 696
Accumulated Impairment Losses	(137 214)	-	-	(262 346)	-	(399 559)
Accumulated De-commissioning	-	-	(3 769 330)	-	-	(3 769 330)
Accumulated Depreciation:	(22 455 410)	(300 842 525)	(69 819 883)	(5 349 090)	(1 373 067)	(399 839 974)
- Cost	(22 455 410)	(300 842 525)	(69 819 883)	(5 349 090)	(1 373 067)	(399 839 974)
Acquisitions	159 312	3 158 211	52 395	1 558 298	-	4 928 217
Capital under Construction - Additions:	13 719 588	26 509 734	-	-	-	40 229 322
- Cost	13 719 588	26 509 734	-	-	-	40 229 322
Depreciation:	(327 027)	(22 218 695)	(1 461 691)	(1 316 416)	(292 586)	(25 616 415)
- Based on Cost	(327 027)	(22 218 695)	(1 461 691)	(1 316 416)	(292 586)	(25 616 415)
De-Commissioning costs	-	-	(1 375 457)	-	-	(1 375 457)
Carrying value of Disposals:	-	-	-	(355 416)	-	(355 416)
- Cost	-	-	-	(790 652)	-	(790 652)
- Accumulated Depreciation	-	-	-	435 236	-	435 236
- Accumulated Impairments	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-
- Impairment Losses	-	-	-	(54 299)	-	(54 299)
Carrying values at 30 June 2015	32 014 289	381 399 366	51 027 498	8 070 407	470 467	472 982 028
Cost	54 933 940	704 460 586	127 453 859	14 617 321	2 136 120	903 601 827
- Completed Assets	38 542 035	619 569 473	127 453 859	14 617 321	2 136 120	802 318 809
- Under Construction	16 391 904.82	84 891 113.18	-	-	-	101 283 018
Accumulated Impairment Losses	(137 214)	-	-	(316 645)	-	(453 858)
Accumulated De-commissioning	-	-	(5 144 787)	-	-	(5 144 787)
Accumulated Depreciation:	(22 782 437)	(323 061 220)	(71 281 574)	(6 230 270)	(1 665 653)	(425 021 154)
- Cost	(22 782 437)	(323 061 220)	(71 281 574)	(6 230 270)	(1 665 653)	(425 021 154)

Description	Land and Buildings	Infra-structure	Community	Other	Assets under Finance-Leases	Total
Carrying values at 1 July 2013	17 123 334	368 006 027	52 824 242	7 998 642	154 639	446 106 884
Cost	38 382 723	647 006 328	124 592 519	12 395 133	1 291 611	823 668 315
- Completed Assets	38 382 723	582 393 041	122 144 145	12 395 133	1 291 611	756 606 653
- Under Construction	-	64 613 288	2 448 374	-	-	67 061 662
Accumulated Impairment Losses	(137 214)	-	-	(17 127)	-	(154 341)
Accumulated De-commissioning	-	-	(2 393 873)	-	-	(2 393 873)
Accumulated Depreciation:	(21 122 176)	(279 000 302)	(69 374 404)	(4 379 364)	(1 136 972)	(375 013 217)
- Cost	(21 122 176)	(279 000 302)	(69 374 404)	(4 379 364)	(1 136 972)	(375 013 217)
Acquisitions	-	7 556	-	2 703 108	844 509	3 555 173
Re-assessment of Landfill Provision	-	-	2 701 698	-	-	2 701 698
Capital under Construction - Completed:	-	34 010 666	2 555 621	-	-	36 566 287
Capital under Construction - Additions:	2 672 317	27 778 757	107 247	-	-	30 558 322
- Cost	2 672 317	27 778 757	107 247	-	-	30 558 322
Depreciation:	(306 324)	(21 842 223)	(1 472 389)	(1 919 636)	(236 095)	(25 776 667)
- Based on Cost	(306 324)	(21 842 223)	(1 472 389)	(1 919 636)	(236 095)	(25 776 667)
De-Commissioning costs	-	-	(1 375 457)	-	-	(1 375 457)
Carrying value of Disposals:	-	-	-	(298 128)	-	(298 128)
- Cost	-	-	-	(1 248 566)	-	(1 248 566)
- Accumulated Depreciation	-	-	-	949 910	-	949 910
- Accumulated Impairments	-	-	-	529	-	529
Other Movements	-	-	-	-	-	-
- Impairment Losses	-	-	-	(245 747)	-	(245 747)
Carrying values at 30 June 2014	18 462 417	373 950 116	53 812 251	8 238 239	763 053	455 226 076
Cost	41 055 040	674 792 641	127 401 464	13 849 675	2 136 120	859 234 940
- Completed Assets	38 382 723	616 411 262	127 401 464	13 849 675	2 136 120	798 181 244
- Under Construction	2 672 317	58 381 379	-	-	-	61 053 696
Accumulated Impairment Losses	(137 214)	-	-	(262 346)	-	(399 559)
Accumulated De-commissioning	-	-	(3 769 330)	-	-	(3 769 330)
Accumulated Depreciation:	(22 455 410)	(300 842 525)	(69 819 883)	(5 349 090)	(1 373 067)	(399 839 974)
- Cost	(22 455 410)	(300 842 525)	(69 819 883)	(5 349 090)	(1 373 067)	(399 839 974)

The municipality has identified and measured all Property, Plant and Equipment in terms of GRAP 17. The balances of the Property, Plant and Equipment have accordingly been restated retrospectively.

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

7 PROPERTY, PLANT AND EQUIPMENT (Continued)	2015 R	2014 R
7.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use		
At Original Cost:		
Land and Buildings	8 981 878	8 179 736
Moveable assets	2 948 328	2 859 093
Gross Carrying Amount of PPE fully depreciated and still in use	11 930 206	11 038 829

7.2 Carrying Amount of Property, Plant and Equipment held for disposal/Transfer

No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.

7.3 Assets pledged as security

The municipality did not pledge any of its assets as security.

7.4 Impairment of Property, Plant and Equipment

The amount of R54 299 (2013: R245 747) disclosed for impairment losses on Property, Plant and Equipment is in respect of the condition assessments on Movable Assets during the 2014/15 financial period..

Other Assets: Office Equipment	54 299	245 747
Total Impairment of Property, Plant and Equipment	54 299	245 747

Impairment losses on Property, Plant and Equipment exist predominantly due to an impaired item of Property, Plant and Equipment that has been physically damaged and has become redundant and idle.

8. INVESTMENT PROPERTY

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July	17 746 665	17 746 665
Fair Value	17 746 665	17 746 665
Net Gains / (Losses) from Fair Value Adjustments	-	-
Carrying values at 30 June	17 746 665	17 746 665
Fair Value	17 746 665	17 746 665
Estimated Fair Value of Investment Property at 30 June	17 746 665	17 746 665

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	804 718	422 734
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All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

8.1 Investment Property carried at Fair Value

The municipality's Investment Property is valued annually at 30 June at fair value by an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties.

The following assumptions were used:

Discount Rate	9.50%	9.50%
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8.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

9. BIOLOGICAL ASSETS

	2015 R	2014 R
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<u>256 500</u>	<u>240 031</u>

The movement in Biological Assets is reconciled as follows:

	Cattle	Horses	Total
Carrying values at 1 July 2014	226 531	13 500	240 031
Fair Value	226 531	13 500	240 031
Acquisitions during the Year (Calves born)	49 500	500	50 000
Gains from Changes in Fair Value	6 219	-	6 219
Losses during the Year	(9 750)	(1 500)	(11 250)
Disposals during the Year:	-	-	-
Decreases due to consumption	(28 500)	-	(28 500)
Losses from Changes in Fair Value	-	-	-
Carrying values at 30 June 2015	244 000	12 500	256 500
Fair Value	244 000	12 500	256 500
Carrying values at 1 July 2013	312 310	14 660	326 970
Fair Value	312 310	14 660	326 970
Acquisitions during the Year (Calves born)	63 428	1 500	64 928
Gains from Changes in Fair Value	113 911	340	114 251
Losses during the Year	(46 441)	(3 000)	(49 441)
Disposals during the Year:	(208 500)	-	(208 500)
Decreases due to consumption	(8 177)	-	(8 177)
Losses from Changes in Fair Value	-	-	-
Carrying values at 30 June 2014	226 531	13 500	240 031
Fair Value	226 531	13 500	240 031

All of the municipality's Biological Assets are held under freehold interests and no Biological Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Biological Assets of the municipality.

9.1 Biological Assets carried at Fair Value

The municipality's Biological Assets is valued annually at 30 June at fair value. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar assets.

The following assumptions were used:

Open market prices

9.2 Non-financial Information

	Cattle 2015	Horses 2015	Cattle 2014	Horses 2014
Quantities of each Biological Asset:				
Opening balance	46	9	101	10
Acquisitions during the year	22	1	21	1
Decrease due to sale of assets	0	0	(65)	-
Losses during the year	-3	-1	(9)	(2)
Decreases due to consumption	-6	0	(2)	-
Quantity at 30 June 2015	<u>59</u>	<u>9</u>	<u>46</u>	<u>9</u>

10. INVESTMENTS

Unlisted

Local Authority Stock	345 155	285 604
	<u>345 155</u>	<u>285 604</u>

Total Investments

All Investments	345 155	285 604
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Total Investments

	<u>345 155</u>	<u>285 604</u>
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Council's valuation of Unlisted Investments

Local Authority Stock	345 155	285 604
	<u>345 155</u>	<u>285 604</u>

Unlisted Investments comprise the following:

Local Authority Stock are shares held in OVK Operations Limited. 13 193 Ordinary Shares valued at R13.35 (2014: R10.72) per share and 13 731 Holding Shares valued at R12.31 (2014: R10.50) per share

The management of the municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Investments was determined after considering the market value of the shares held with OVK.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

11. CONSUMER DEPOSITS	2015 R	2014 R
Electricity, Water and other	660 213	615 562
Total Consumer Deposits	660 213	615 562

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

12. PAYABLES		
Trade Creditors	32 689 995	24 594 775
Payments received in Advance	3 721 308	3 787 340
Staff Bonuses	1 175 025	1 200 503
Staff Leave Accrued	2 685 328	2 983 757
Staff Salaries & Third Parties	27 278 552	12 045 360
Water treatment grant paid to Mohokare in error	2 711 899	2 711 899
Total Creditors	70 262 107	47 323 634

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The average credit period on purchases should be 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did default on payment of its Creditors. The Municipality have negotiated terms of payment with certain of its long outstanding trade creditors.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

13. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

13.1 Conditional Grants from Government	8 376 281	6 072 722
National Government Grants	8 376 281	6 072 722
Total Conditional Grants and Receipts	8 376 281	6 072 722

See Note 18 for the reconciliation of Grants from Government. The Unspent Grants are reported to National Treasury. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

14. LONG-TERM LIABILITIES

	2015	2014
	R	R
Finance Lease Liabilities	462 518	733 315
Government Loans	1 106 929	1 176 342
Other Loans (Centlec Capital Loans)	698 160	988 848
Centlec Payable	20 722 585	10 474 149
Sub-total	<u>22 990 192</u>	<u>13 372 654</u>
Less: Current Portion transferred to Current Liabilities:-	417 739	408 795
Finance Lease Liabilities	<u>262 571</u>	<u>271 411</u>
Government Loans	<u>155 168</u>	<u>137 384</u>
Total Long-term Liabilities (Neither past due, nor impaired)	<u><u>22 572 453</u></u>	<u><u>12 963 859</u></u>

14.1 Summary of Arrangements

Finance Lease Liabilities relates to IT Equipment with lease terms of 3 years, vehicles purchased with a term of 5 years and Cellphone devices with a lease term of 2 years. The effective interest rate on Finance Leases is between 8% and 11% (2013: 8% to 11%). Capitalised Lease Liabilities are secured over the items of vehicles and equipment leased. The last payment in respect of the lease relating to IT equipment was made during 2014/15.

Other Loans are repaid over a period of 20 years and at a zero interest rate. Other Loans are secured over assets used to produce electricity.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

Government loans relates to a loan from the Development Bank of South Africa (DBSA). The loan are repayable in quarterly installments with the last payment to take place on 31 March 2020. The loan was negotiated at a fixed interest rate of 12,36%.

The Centlec payable relates to a service level agreement between Mohokare Local Municipality and Centlec. This payable relates to the amounts owed to Centlec in terms of services provided on behalf of the Municipality. This accounts for electricity bulk purchases, electricity sales on behalf of Mohokare Local Municipality, general expenditure incurred in the process of performing these duties as well as distribution losses.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

14.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to IT Equipment and Cellphone devices with lease terms not more than 1 year (2014: 2 years) and the purchase of vehicles with a lease term not more than 5 years. The effective interest rate on Finance Leases is between 8% and 11% (2013: 8% and 11%).

The risks and rewards of ownership in respect of the IT Equipment will transfer to the municipality at the conclusion of the agreement.

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2015	2014	2015	2014
	R	R	R	R
Amounts payable under finance leases:				
Within one year	291 445	320 540	291 445	320 540
In the second to fifth years, inclusive	206 117	495 960	206 117	495 960
Over five years	-	-	-	-
	<u>497 562</u>	<u>816 499</u>	<u>497 562</u>	<u>816 499</u>
Less: Future Finance Obligations	(35 044)	(83 184)	(35 044)	(83 184)
Present Value of Minimum Lease Obligations	<u><u>462 518</u></u>	<u><u>733 315</u></u>	<u><u>462 518</u></u>	<u><u>733 315</u></u>
Less: Amounts due for settlement within 12 months (Current Portion)			(262 571)	(271 411)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			<u><u>199 947</u></u>	<u><u>461 904</u></u>

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment
- Vehicles

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Included in these classes are the following significant leases:

	2015	2014
	R	R
(i) Gestetner (IT Equipment)		
- Installments are payable monthly in advance		
- Average period outstanding	36 months	36 months
- Average effective interest rate	9.43%	9.43%
- Average monthly installment	R 16 850.00	R 16 850.00
(ii) ABSA Vehicle Financing (5 vehicles)		
- Installments are payable monthly in advance		
- Average period outstanding	36 months	36 months
- Average effective interest rate, based on prime	9.25%	9.00%
- Average monthly installment	R 23 250.00	R 23 175.00

14.3 Operating Leases

The municipality has an operating lease agreement for the rental of the Mayor's vehicle with the Free State Provincial Garage.

- Monthly charges are based on km's travelled and a fixed daily tariff of R1 024.
- No confirmation was received from FSPG in 2015.

Within one year
In the second to fifth years, inclusive
Over five years

Minimum Operating Lease Payments

	2015	2014
	R	R
Within one year	67 808	67 808
In the second to fifth years, inclusive	-	-
Over five years	-	-
	<u>-</u>	<u>-</u>

15. PROVISIONS

Non-Current Provisions

Provision for Rehabilitation of Land-fill Sites

17 195 568	16 490 654
<u>17 195 568</u>	<u>16 490 654</u>

The movement in Non-current Provisions are reconciled as follows:

	Land-fill Sites	Total
	R	R
30 June 2015		
Balance at beginning of year	16 490 654	16 490 654
Contributions to provision	704 915	704 915
	<u>17 195 568</u>	<u>17 195 568</u>
Balance at end of year	<u>17 195 568</u>	<u>17 195 568</u>
	Land-fill Sites	Total
	R	R
30 June 2014		
Balance at beginning of year	12 997 706	12 997 706
Contributions to provision	791 250	791 250
Increase due to re-measurement	2 701 698	2 701 698
	<u>16 490 654</u>	<u>16 490 654</u>
Balance at end of year	<u>16 490 654</u>	<u>16 490 654</u>

15.1 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse site, the municipality will incur rehabilitation costs of R18.8 million to restore the sites at the end of its useful life, estimated to be in 2021 for the Matlakeng site, 2031 for the Rouxville and Smithfield sites and 2015 for the Zastron site. Provision has been made for the net present value of this cost, using the the average cost of borrowing interest rate. The provision was arrived at taking the following main factors into account: location, macro- and micro-environment, soil conditions, topography and market conditions. The effective date of the valuation as performed by Ducharme Consulting is 30 June 2015.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

16. ACCUMULATED SURPLUS

	2015	2014
	R	Restated R
The Accumulated Surplus consists of the following Internal Funds and Reserves:		
Accumulated Surplus / (Deficit) due to the results of Operations	423 735 461	424 876 147
Total Accumulated Surplus	<u>423 735 461</u>	<u>424 876 147</u>

Accumulated Surplus has been restated to correctly classify amounts held by the municipality as indicated below. Refer to Note 34 "Correction of Errors" for details of the restatements.

Restatement of Accumulated Surplus - Note 34.1

Restatement of PPE - Note 34.2

Restatement of Centlec Payable - Note 34.3

Restatement of Payables - Note 34.4

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

17. PROPERTY RATES

	Property Valuations		Actual Levies	
	July 2015	July 2014	July 2015	July 2014
	R000's	R000's		
Residential	299 182	299 182	4 037 745	3 687 679
Commercial	58 595	58 595	603 232	540 759
Agricultural	2 307 525	2 307 525	3 812 821	3 471 329
State	204 314	204 314	102 827	81 950
Rates Rebates			(1 924 178)	(1 726 605)
Total Property Rates	<u>2 869 615</u>	<u>2 869 615</u>	<u>6 632 446</u>	<u>6 055 112</u>

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2009.

Interim valuations are processed on an continuous basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 0,7380 c/R (2013/14: 0,6709 c/R)

Commercial Properties: 0,9998 c/R (2013/14: 0,9089 c/R)

State Properties: 0,3489 c/R (2013/14: 0,3172 c/R)

Agricultural Properties: 0,1594 c/R (2013/14: 0,1449 c/R)

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

18. GOVERNMENT GRANTS AND SUBSIDIES RECEIVED

	2015	2014
	R	R
National Equitable Share	52 966 000	51 873 000
Operational Grants	52 966 000	51 873 000
Conditional / Unconditional Grants	61 604 730	42 455 403
National: FMG	1 800 000	1 650 000
National: MIG	25 462 000	17 887 000
National: MSIG	934 000	890 000
National: RBIG	29 052 274	16 933 222
National: INEPG	-	-
GOGTA Grant	-	2 775 000
LG SETA	13 411	320 181
Expanded Public Works Programme	1 033 000	1 000 000
National: MWIG	3 310 045	1 000 000
Total Government Grants and Subsidies	114 570 730	94 328 403
Government Grants and Subsidies:		
Conditional Grants - Capital	57 824 319	35 820 222
Conditional Grants - Operational	3 780 411	6 635 181
Unconditional Grants - Capital	-	-
Unconditional Grants - Operational	52 966 000	51 873 000
Total Government Grants and Subsidies	114 570 730	94 328 403
Summary of Transfers:		
Conditions met - transferred to Revenue: Operating Expenses	57 807 114	59 274 442
Conditions met - transferred to Revenue: Capital Expenses	47 976 890	34 746 049
Centlec Electrification Grant	1 578 947	585 951
Total Transfers	107 362 951	94 606 442

18.1 National: Equitable Share (Unconditional)

52 966 000	51 873 000
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In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by DPLG the funds are also utilised to enable the municipality to execute its functions as the local authority. R6,626 million was withheld in the financial period ended 30 June 2015 in respect of conditional grant roll-overs applied for in previous financial years that was disallowed. An amount of R46,340 million was paid to Mohokare during the financial period ended 30 June 2015

18.2 National: FMG Grant (Conditional)

Balance unspent at beginning of year	-	-
Current year receipts	1 800 000	1 650 000
Conditions met - transferred to Revenue: Operating Expenses	(1 800 000)	(1 650 000)
Conditions still to be met - transferred to Liabilities	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

18.3 National: MIG Funds (Conditional)

Balance unspent at beginning of year	4 949 172	12 039 610
Current year receipts	25 462 000	17 887 000
Roll-over withheld on Equitable share	(5 626 000)	(7 000 000)
Conditions met - transferred to Revenue: Operating Expenses	(889 858)	(327 675)
Conditions met - transferred to Revenue: Capital Expenses	(15 766 406)	(17 559 325)
Conditions met - transferred to Deferred Revenue	-	(90 439)
Conditions still to be met - transferred to Liabilities	8 128 908	4 949 172

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

18.4 National: MSIG Funds (Conditional)

	2015 R	2014 R
Balance unspent at beginning of year	-	-
Current year receipts	934 000	890 000
Interest allocated		
Conditions met - transferred to Revenue: Operating Expenses	(934 000)	(890 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities	-	-
	<u>-</u>	<u>-</u>

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

18.5 National: Regional Bulk Infrastructure Grant (Conditional)

Balance unspent at beginning of year	(253 503)	-
Current year receipts	29 052 274	16 933 222
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(30 221 097)	(17 186 725)
Conditions met - Receivable in the 2014-15 financial period	<u>(1 422 326)</u>	<u>(253 503)</u>

This grant was used for the operation and maintenance of sewerage and water schemes transferred from RBIG to the municipality and the refurbishment of water infrastructure.

18.6 National: Integrated National Electrification Programme Grant (INEPG) (Conditional)

Balance unspent at beginning of year	-	-
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities	<u>-</u>	<u>-</u>

Expenses were incurred to promote rural development and upgrade electricity infrastructure. No funds have been withheld.

18.7 Expanded Public Works Programme (EPWP) (Conditional)

Balance unspent at beginning of year	-	-
Current year receipts	1 033 000	1 000 000
Interest allocated		
Conditions met - transferred to Revenue: Operating Expenses	(1 033 000)	(1 000 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>-</u>

This grant was received for the creation of job opportunities. No funds have been withheld.

18.8 Municipal Water Infrastructure Grant (MWIG)

Balance unspent at beginning of year	1 000 000	-
Roll-over withheld on Equitable share	(1 000 000)	
Current year receipts	3 310 045	1 000 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(151 834)	-
Conditions met - transferred to Revenue: Capital Expenses	(3 158 211)	-
Conditions still to be met - transferred to Liabilities	<u>-</u>	<u>1 000 000</u>

This grant was received to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

18.8 COGTA Grant (Unconditional)(Management salaries)

Balance unspent at beginning of year	2 081 200	2 081 400
Current year receipts	-	2 775 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(2 775 200)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities	<u>2 081 200</u>	<u>2 081 200</u>

A grant was received from COGTA for the purpose of assisting the Municipality with payments of Managers salaries. No funds have been withheld. The liability shown is not a liability to COGTA but rather an accounting treat as Revenue received in advance.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

18.9 COGTA Grant (Conditional) (Water pumps)

Balance unspent at beginning of year	377 053	815 439
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(19 010)	(438 386)
Conditions met - transferred to Revenue: Capital Expenses		-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>358 043</u>	<u>377 053</u>

A grant was received from COGTA for the purpose of assisting the Municipality with the replacement of old and redundant water pumps necessary for service delivery. No funds have been withheld.

18.10 LG SETA training grant (Unconditional)

Balance unspent at beginning of year	-	-
Current year receipts	13 411	320 181
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(13 411)	(320 181)
Conditions met - transferred to Revenue: Capital Expenses		-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>-</u>

This grant was utilised for the training and schooling of staff. No funds have been withheld.

18.12 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2011), government grant funding is expected to increase over the forthcoming three financial years.

19. DONATIONS RECEIVED

Unconditional Contributions	1 345 459	970 424
Total Public Contributions and Donations	<u>1 345 459</u>	<u>970 424</u>

20. SERVICE CHARGES

Sale of Electricity	23 073 792	19 683 112
Sale of Water	12 885 089	9 877 534
Refuse Removal	6 502 927	4 329 181
Sewerage and Sanitation Charges	9 720 465	6 700 311
Connection Fees	1 961 265	375 457
Total Service Charges	<u>54 143 537</u>	<u>40 965 596</u>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs. Connection Fees are in respect of once off connection charges.

21. RENTAL OF FACILITIES AND EQUIPMENT

Operating Lease Rental Revenue:		
- Investment Property	804 718	422 734
Rental Revenue from Buildings	244 527	133 970
Rental Revenue from Halls	14 955	18 112
Rental Revenue from Other Facilities	(36)	182
Total Rental of Facilities and Equipment	<u>1 064 164</u>	<u>574 998</u>

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

22. INTEREST EARNED

	2015 R	2014 R
External Investments:		
Bank Account	80 756	66 720
Investments	48 490	109 101
	<u>129 246</u>	<u>175 822</u>
Outstanding Debtors:		
Outstanding Billing Debtors	805 766	8 084 890
	<u>805 766</u>	<u>8 084 890</u>
Total Interest Earned	<u>935 012</u>	<u>8 260 711</u>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Non-Current Investments	129 246	175 822
Loans and Receivables	805 766	8 084 890
	<u>935 012</u>	<u>8 260 711</u>

23. OTHER REVENUE

Building Plan Fees	2 895	1 673
Cemetery Fees	44 544	48 614
Pound Fees	-	-
Commission on collections	98 861	57 828
Rates Certificates	7 546	27 041
Cattle additions	50 000	64 928
Cancellation of Lease contract	-	-
Sundry Income	1 136 428	764 752
Total Other Revenue	<u>1 340 274</u>	<u>964 837</u>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 18 to 23, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

24. EMPLOYEE RELATED COSTS	2015 R	2014 R
Employee Related Costs - Salaries and Wages	35 137 046	33 465 699
Basic Salaries and Wages	35 079 408	32 561 655
Contribution to Leave Fund	57 638	904 044
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids Bonus fund	9 844 480	8 933 417
Medical	2 644 717	2 257 050
Pension	6 362 193	5 894 074
Bonus fund	-	-
Industrial Council Levy	23 159	31 903
Skills Development Levy	452 074	394 572
UIF	362 338	355 817
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	3 036 749	2 780 836
Allowances	3 036 749	2 780 836
Housing Benefits and Allowances	37 441	48 573
Overtime Payments	3 098 452	2 674 151
Annual Bonuses	2 668 012	2 598 819
Temporary Employees - Salaries and Wages	955 736	200 648
EPWP Employees	1 213 859	2 064 315
Total Employee Related Costs	55 991 776	52 766 457
No advances were made to employees.		
Remuneration of Section 57 Employees:		
Remuneration of the Municipal Manager		
Annual Remuneration	602 700	604 988
Travel Allowance	267 000	267 000
Company Contributions to UIF, Medical and Pension Funds	167 551	156 804
Other	-	-
Total	1 037 250	1 028 792
Remuneration of the Chief Financial Officer		
Annual Remuneration	732 709	400 237
Annual Bonus	-	29 425
Company Contributions to UIF, Medical and Pension Funds	9 193	5 820
Acting Allowance	-	124 158
Other	-	-
Total	741 901	559 641
The post was vacant during July 2013 until December 2013. The Acting Allowance that was paid for the period is included in the above costs for the 2013/14 period.		
Remuneration of the Manager: Community Services		
Annual Remuneration	327 059	293 506
Annual Bonus	27 255	25 522
Travel Allowances	72 000	67 000
Company Contributions to UIF, Medical and Pension Funds	102 927	89 670
Other	-	-
Total	529 241	475 698
Remuneration of the Manager: Corporate Services		
Annual Remuneration	463 113	436 497
Travel Allowances	150 000	150 000
Company Contributions to UIF, Medical and Pension Funds	127 303	116 475
Other	-	-
Total	740 415	702 972

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	R	R
Remuneration of the Manager: Technical Services		
Annual Remuneration	620 288	581 410
Re-Imbursive Travel Allowances	-	51 912
Company Contributions to UIF, Medical and Pension Funds	120 711	112 231
Acting allowance	-	27 768
Other	-	-
Total	740 999	773 321

No compensation was payable to key management personnel in terms of GRAP 25 as at 30 June.

25. REMUNERATION OF COUNCILLORS

Mayor - Ms AM Shasha	409 384	374 690
Chief Whip - Mr MA Letele	166 528	165 725
Councillors	1 499 305	1 403 021
Company Contributions to SDL, Medical and Pension Funds	372 731	337 864
Medical Aid	155 661	131 910
Pension Fund	187 280	178 636
Skills Development Levy	29 791	27 318
Other Allowances (Cellular Phones, Housing, Transport, etc)	788 366	784 040
Housing Subsidy	151 115	151 115
Telephone Allowance	229 548	229 550
Travelling Allowance	407 703	403 375
Total Councillors' Remuneration	3 236 314	3 065 340

In-kind Benefits

The Councillor occupying the positions of Mayor/Speaker of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Mayor has use of a vehicle leased from the Government Garage for official duties.

26. DEPRECIATION AND AMORTISATION

Land and Buildings	327 027	306 324
Infrastructure	22 218 695	21 842 223
Community Assets	1 461 691	1 472 389
Movable Assets	1 316 416	1 919 636
Assets under Finance Lease Agreements	292 586	236 095
Total Depreciation and Amortisation	25 616 415	25 776 667

27. IMPAIRMENT LOSSES

27.1 Impairment Losses on Fixed Assets

Impairment Losses Recognised:	54 299	245 747
Property, Plant and Equipment	54 299	245 747
	54 299	245 747

27.2 Impairment Losses on Financial Assets

Impairment Losses Recognised:	22 658 620	22 309 235
Receivables from Exchange Transactions (Exclusive of VAT)	19 818 647	20 889 088
Movement in provision for bad debt (Centlec)	321 054	312 156
Receivables from Non-exchange Transactions	2 420 512	977 540
Traffic fines	98 407.65	130 450
	22 658 620	22 309 235
Total Impairment Losses	22 712 919	22 554 982

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

28. FINANCE COSTS	2015	2014
	R	R
DBSA Loan	138 445	148 707
Creditors Overdue	3 435 600	1 107 756
Finance Leases	50 503	32 581
Landfill Provision	704 915	791 250
Bank overdraft	-	618
Finance costs incurred by Centlec	98 885	110 515
Total Interest Expense	<u>4 428 348</u>	<u>2 191 427</u>
Total Interest Paid on External Borrowings	<u>4 428 348</u>	<u>2 191 427</u>
 29. BULK PURCHASES		
Electricity (Centlec)	23 607 805	19 755 688
Total Bulk Purchases	<u>23 607 805</u>	<u>19 755 688</u>
 30. CONTRACTED SERVICES		
Professional Fees	3 440 192	5 226 430
- Valuation Roll	1 719 298	-
- Fixed Assets	445 798	2 947 231
- Assistance on Revenue for 13/14 Audit	206 570	-
- VAT	530 964	815 884
- Other	537 562	1 463 315
Security Services	239 371	167 194
Total Contracted Services	<u>3 679 564</u>	<u>5 393 623</u>
 31. GRANTS AND SUBSIDIES PAID		
Free Basic Services	4 859 722	3 014 720
Donations to matrics exams	11 636	-
Total Grants and Subsidies	<u>4 871 358</u>	<u>3 014 720</u>
Free Basic Services are in respect of assistance to and providing basic service levels to indigent households.		

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

32. GENERAL EXPENSES

	2015	2014
	R	R
Included in General Expenses are the following:		
Administration fees	167 010	320 941
Advertising	91 175	275 339
Audit Fees	2 990 857	4 038 198
Bank Charges	337 195	138 387
Cancellation Fees	-	-
Cattle Feed	2 496	18 909
Cattle Consumption	28 500	8 177
Biological Asset Losses	11 250	49 441
Cattle Fair Value adjustment Loss	-	-
Centlec Service Expenses	-	-
Chemicals and Poison	3 792 603	3 196 154
Cleaning Material	73 936	36 213
Computer Software & Licenses	897 680	627 764
Consumables	374 465	990 013
Disaster Expenditure	-	1 524
Electricity usage	4 011 411	4 243 611
Entertainment	66 867	92 416
Electricity Network charges	759 185	1 824 155
Fines & Penalties	368 030	464 252
Fuel & Oil	1 774 631	1 734 616
Insurance	341 485	787 892
Operating Leases	627 759	896 406
Legal Costs	574 689	799 000
Magazines, books and periodicals	236	75 962
Medical Expenses	5 422	12 969
Motor vehicle expenses	13 757	15 284
Pauper burials	7 500	19 300
Postage and Courier	285 076	422 010
Printing & Stationary	576 240	599 357
Royalties and license fees	-	-
Software expenses	-	-
Special Programmes	245 454	452 260
Subscription Fees	593 377	477 379
Telephone Cost	2 205 544	1 976 580
Training Costs	302 555	126 385
Traffic Operational	4 300	9 570
Transport Costs	-	-
Travelling and Subsistence	1 795 301	2 324 991
Uniforms and Protective Clothing	55 921	1 138 103
Total General Expenses	23 381 909	28 193 557

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

32.1 Material Losses

	26 363 819	22 979 226
Debtors written off	18 692 402	15 691 377
Distribution Losses:		
Electricity Losses	5 364 000	4 284 685
Water losses	2 307 418	3 003 164

The amounts disclosed above for **Electricity and Water Losses** are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense.

No other extra-ordinary expenses were incurred.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

33. CHANGE IN ACCOUNTING POLICY

The municipality adopted no new Accounting Standards for the first time during the financial year 2014/2015 for the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1.

34. CORRECTION OF ERROR

34.1 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

	Accumulated Surplus
Balance as published as at 30 June 2014	425 110 774
Change in accounting policy:	-
Correction of error:	
<i>Corrections through Accumulated surplus</i>	(240 108)
- Centlec Prior period adjustment	(206 868)
- PPE carrying values	(33 239)
<i>Corrections through comparative figures in the Income statement (Note 34.2)</i>	5 480
- Depreciation on fixed assets	5 480
Restated balance as at 30 June 2014	<u>424 876 147</u>

34.2 Reclassification of Revenue and Expenditure

The prior year figures of Revenue and Expenditure have been restated to correctly disclose the transactions incurred by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

	Revenue for the Year	Expenditure for the Year	(Surplus) Deficit for the Year
Total as per AFS previously published for 2013/14	153 537 631	166 089 727	(12 552 096)
Adjustment to Depreciation	-	(5 480)	5 480
Restated Total as per AFS currently disclosed for 2013/14	<u>153 537 631</u>	<u>166 084 247</u>	<u>(12 546 616)</u>

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

34.3 Property, Plant & Equipment
Cost and Accumulated Surplus

The effect of the Correction of Error is as follows:

	Property, Plant and Equipment
Amount per AFS previously published for 2013/14	455 253 835
Fixed Assets Opening balances differences	-
Adjustment to Costs Opening Balance	(41 226)
Adjustment to Accumulated Depreciation	7 987
Adjustment to the 2012-13 depreciation charges	5 480
Restated Balances as at 30 June 2014	<u>455 226 076</u>

34.4 Correction on Centlec Payable

The opening balances of the Centlec Payable amount has been restated.

The effect of the Correction of Error is as follows:

	Total
Balance published as at 30 June 2014	10 267 281
Adjustment - interest	(18 671)
Adjustment - Stale Grant from 2009 moved to Acc Surplus	225 539
Restated Balances as at 30 June 2014	<u>10 474 149</u>

35. CHANGE IN ACCOUNTING ESTIMATES

During the 2013/14 financial period it was estimated that the Landfill site rehabilitation for the Zastron site has significantly decreased and will have to be rehabilitated in 2016. The previous estimates indicated 2021. This change in estimate resulted in a large finance charge accounted for in the 2013-14 financial period. Refer to Note 15.

No changes in accounting estimates was made during 2014/15.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

36. CASH GENERATED BY OPERATIONS

	2015	2014
	R	R
Surplus / (Deficit) for the Year	(1 409 087)	(12 546 615)
Depreciation and Amortisation	25 616 415	25 782 147
De-commissioning costs	1 375 457	1 375 457
Impairment losses on Property, Plant and Equipment	54 299	245 747
Other Movements on Property, Plant and Equipment (Capital donations)	-	-
Other Movements on Investment	(59 551)	(211 931)
Other Movements on Biological Assets	(55 263)	(43 982)
Loss on Disposal of PPE	355 416	298 128
Provision for bad debt	22 840 419	24 591 565
Donations made applied to payables	(1 345 459)	(970 424)
Contribution to Provisions - Non-current	(704 915)	791 249
Biological assets Fair Value gain	(6 219)	(9 113)
Revenue received in advance	-	(90 439)
Grant funds withheld	(6 626 000)	(7 000 000)
Bad debts written off	18 692 400	-
Operating surplus before working capital changes	58 727 911	32 211 789
Decrease/(Increase) in Inventories - Consumables	25 715	(133 624)
Decrease/(Increase) in Consumer Debtors	(25 941 536)	(23 472 708)
Decrease/(Increase) in Other Debtors	(2 989 935)	(841 234)
Decrease/(Increase) in Sundry Debtors	(1 415 045)	138 461
Decrease/(Increase) in VAT Receivable	(6 372 512)	666 432
Increase/(Decrease) in Consumer Deposits	(44 651)	401 904
Increase/(Decrease) in Payables	(21 593 013)	17 715 521
Increase/(Decrease) in Conditional Grants and Receipts	4 322 440	217 673
Increase/(Decrease) in Revenue received in advance	-	90 439
Increase/(Decrease) in Biological Assets	72 688	92 241
Cash generated by / (utilised in) Operations	4 792 064	27 086 896

37. NON-CASH INVESTING AND FINANCING TRANSACTIONS

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2014/15 financial year.

38. FINANCING FACILITIES

The municipality did not have any Financing Facilities available at any time during the two financial years.

39. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 14)	22 990 192	13 372 654
Used to finance Property, Plant and Equipment - at cost	(22 990 192)	(13 372 654)
Sub-total	-	-

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

40. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

40.1 Unauthorised Expenditure

	2015 R	2014 R
Reconciliation of Unauthorised Expenditure:		
Opening balance	115 413 992	87 796 732
Unauthorised Expenditure current year	15 131 426	27 617 260
Approved by Council or condoned		-
Unauthorised Expenditure awaiting authorisation	<u>130 545 418</u>	<u>115 413 992</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>The unauthorised expenditure is based on the differences between budgeted amounts and actual expenditures per unit. No incidents were noticed where payments were made by unauthorised personnel. The major contributor relates to the Impairment of debtors that was not fully budgeted for, interest charges in respect of non-payment of outstanding trade and salary creditors and contracted services which was not fully budgeted for.</i>	N/A

40.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	6 829 242	4 947 535
Fruitless and Wasteful Expenditure current year	4 211 548	1 881 707
Condoned or written off by Council	-	-
To be recovered – contingent asset	-	-
Transfer to receivables for recovery	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<u>11 040 790</u>	<u>6 829 242</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Fines and Penalties</i> 514 190	
<i>Court order/ Court settlement</i> 535 337	
<i>Interest on late accounts</i> 3 162 021	

40.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:		
Opening balance	130 196 434	129 258 580
Irregular Expenditure current year	25 936	937 854
Condoned or written off by Council	(63 144 064)	-
To be recovered – contingent asset (see Note 49)	-	-
Transfer to receivables for recovery (see Note 4)	-	-
Irregular Expenditure awaiting condonement	<u>67 078 306</u>	<u>130 196 434</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Vananco Wholesalers was paid in terms of a statement balance.</i> R 25 936	<i>These expenses relate to Irregular expenses identified under the audit process for the 2014/15 financial period. These expenses will be investigated by Management to determine whether it should in fact be included under the Irregular expenditures..</i>

41. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

41.1 Contributions to organised local government - SALGA

Opening Balance	350 000	-
Council Subscriptions	574 045	450 000
Amount Paid - current year	-	(100 000)
Balance Unpaid (included in Creditors)	<u>924 045</u>	<u>350 000</u>

41.2 Audit Fees

Opening Balance	1 219 595	(802 434)
Current year Audit Fee	3 828 165	4 510 481
Interest charges	250 095	64 008
Amount Paid - current year	-	(1 859 068)
Credit notes received	(417 588)	(184)
Amount Paid - previous years	-	-
Donations received towards Audit Fees	(1 110 744)	(693 208)
Balance Unpaid (included in Creditors)	<u>3 769 523</u>	<u>1 219 595</u>

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

41.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year.

41.4 PAYE, Skills Development Levy and UIF

	2015	2014
	R	R
Opening Balance	1 920 253	2 256 429
Current year Payroll Deductions	6 233 093	5 273 959
Amount Paid - current year	(6 334 902)	(1 135 107)
Amount Paid - previous years		-
Penalties and interest	828 684	15 789
Offset to VAT receivable	(1 026 820)	(4 490 817)
Balance Unpaid (included in Payables)	1 620 307	1 920 253

The balance represents PAYE,SDL and UIF deducted from the payroll during the 2014/15 financial period.

41.5 Pension and Medical Aid Deductions

	2015	2014
	R	R
Opening Balance	8 943 980	5 335 646
Current year Payroll Deductions and Council Contributions	13 390 353	12 755 389
Amount Paid - current year	(4 673 341)	(3 345 460)
Amount Paid - previous years	(300 000)	(6 049 036)
Interest accrual	2 606 917	247 442
Balance Unpaid (included in Payables)	19 967 909	8 943 980

The balance represents Pension and Medical Aid contributions deducted from employees and councillors payroll in the 2013/14 and 2014/15 financial year's, as well as the municipality's contributions to these funds.

41.6 Councillor's arrear Consumer Accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:

	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2015			
Councillor Lekhula L	7 167	782	6 385
Councillor Letele MA	2 449	470	1 979
Councillor Thuhlo RJ	1 133	958	175
Councillor Shasha SD	6 747	692	6 056
Total Councillor Arrear Consumer Accounts	17 497	2 902	14 595
30 June 2014			
Councillor Lekhula L	7 111	745	6 366
Councillor Letele MA	2 933	479	2 453
Councillor Riddle IS	732	569	163
Councillor Thuhlo RJ	1 377	992	386
Councillor Majenge BS	649	482	167
Councillor Sehanka MJ	1 252	1 252	-
Councillor Shasha SD	16 971	838	16 133
Total Councillor Arrear Consumer Accounts	31 024	5 357	25 668

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
30 June 2015	Highest amount outstanding	Ageing
Councillor Lekhula L	6 385	> 90 Days
Councillor Letele MA	1 979	> 90 Days
Councillor Thuhlo RJ	175	> 90 Days
Councillor Shasha SD	6 056	> 90 Days

	Highest amount outstanding	Ageing
30 June 2014		
Councillor Lekhula L	6 366	> 90 Days
Councillor Letele MA	2 453	> 90 Days
Councillor Riddle IS	163	> 90 Days
Councillor Thuhlo RJ	386	> 90 Days
Councillor Majenge BS	167	> 90 Days
Councillor Shasha SD	16 133	> 90 Days

41.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

The municipality has developed a supply chain management policy which was only approved by Council in November 2011. Non compliance matters to the MFMA is disclosed as follow:

Department	Date	Non-compliance matter	Reason	Amount
Finance department		Non-compliance to Section 70(2) regarding banking reporting to Treasury and Auditor-General	Bank account details were not reported to the offices of the Auditor General	N/A
Finance department		Non-compliance to section 65(2) (e) suppliers not paid within 30 days	The Municipality is experiencing cash flow constraints.	N/A
Finance department		PAYE/SITE/UIF no paid within the 7 days reporting requirement of Income Tax Act	The Municipality is experiencing cash flow constraints.	N/A
Finance department		Non-compliance to Section 32(4)(a) and Section 32(a) of the MFMA	Non reporting of irregular, unauthorised and fruitless and wasteful expenditure	N/A

41.8 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Electricity and Water Losses were as follows and are not recoverable:

Electricity:

Purchased during the year	units (kWh)	21 493 123	21 498 603
Sold during the year	units (kWh)	(16 488 258)	(16 831 223)
Unaccounted Losses	units (kWh)	5 004 865	4 667 380
Normal distribution losses - % of electricity purchases	units (kWh)	-	-
Loss (R):		5 255 108	4 284 685

Calculated as follows :

	%	Lost Units	Tariff	Value
30 June 2015				
Total Electricity Losses	100.00%	5 004 865	R -	5 255 108
- Residential	97.43%	4 876 240	R 1.05	5 120 052
- Business	2.57%	128 625	R 1.05	135 056

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

				2015 R	2014 R
30 June 2014					
Total Electricity Losses	100.00%	4 667 380	R	0.92	4 284 685
- Residential	97.43%	3 159 314	R	0.92	2 900 271
- Business	2.57%	1 508 066	R	0.92	1 384 414

42.

Electricity Losses occur due to *inter alia*, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

Water:

30 June 2015	Unaccounted Water Losses	507 483	4.5468	2 307 418
30 June 2014	Unaccounted Water Losses	773 507	3.8825	3 003 164

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The municipality is currently busy with an audit of bulk meters to find faulty meters and repair them. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

COMMITMENTS FOR EXPENDITURE

42.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- **Approved and Contracted for:-**

Infrastructure

35 049 485	56 920 715
35 049 485	56 920 715

- **Approved but Not Yet Contracted for:-**

Infrastructure

-	3 302 322
-	3 302 322

Total Capital Commitments

35 049 485	60 223 037
35 049 485	60 223 037

42.2 Lease Commitments

Finance Lease Liabilities are disclosed in Note 14.

43. FINANCIAL INSTRUMENTS

43.1.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
Non-current Investments			
Investment in OVK Shares	Fair value	345 155	285 604
Receivables from Exchange Transactions			
Electricity	Amortised cost	3 303 466	551 355
Refuse	Amortised cost	429 068	186 977
Sewerage	Amortised cost	962 821	669 363
Water	Amortised cost	3 174 314	890 535
Sundry Debtors	Amortised cost	2 182 791	1 004 996
Other Receivables	Amortised cost	352 667	165 227
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	1 218 488	649 064
Cash and Cash Equivalents			
Call Deposits	Amortised cost	168 952	163 083
Bank Balances	Amortised cost	569 344	163 951
Cash Floats and Advances	Amortised cost	1 180	1 180

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

SUMMARY OF FINANCIAL ASSETS

		2015	2014
		R	R
Financial Assets at Amortised Cost:			
Receivables from Exchange Transactions	Electricity	3 303 466	551 355
Receivables from Exchange Transactions	Refuse	429 068	186 977
Receivables from Exchange Transactions	Sewerage	962 821	669 363
Receivables from Exchange Transactions	Water	3 174 314	890 535
Sundry Debtors	Sundry Debtors	2 182 791	1 004 996
Receivables from Exchange Transactions	Other Debtors	352 667	165 227
Receivables from Non-exchange Transactions	Assessment Rates Debtors	1 218 488	649 064
Cash and Cash Equivalents	Bank Balances	569 344	163 951
Cash and Cash Equivalents	Call Deposits	168 952	163 083
Cash and Cash Equivalents	Cash Floats and Advances	1 180	1 180
		<u>12 363 090</u>	<u>4 445 731</u>
Financial Assets at Fair Value:			
Non-current Investments	Shares in OVK	345 155	285 604
		<u>345 155</u>	<u>285 604</u>
Total Financial Assets		<u>12 708 245</u>	<u>4 731 335</u>

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Finance Lease Liabilities	Amortised cost	199 947	461 904
Government Loans	Amortised cost	951 761	1 038 958
Centlec Payable	Amortised cost	20 722 585	10 474 149
Other Loans	Amortised cost	698 160	988 848
Payables			
Trade Creditors	Amortised cost	32 689 995	24 594 775
Payments received in Advance	Amortised cost	3 721 308	3 787 340
Sundry Deposits	Amortised cost	2 711 899	2 711 899
Consumer Deposits	Amortised cost	660 213	615 562

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
Bank Overdraft			
Bank Overdraft	Amortised cost		2 076 232
Current Portion of Long-term Liabilities			
Finance Lease Liabilities	Amortised cost	262 571	271 411
Government Loans	Amortised cost	155 168	137 384
SUMMARY OF FINANCIAL LIABILITIES		2015 R	2014 R
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Finance Lease Liabilities	199 947	461 904
Long-term Liabilities	Government Loans	951 761	1 038 958
Long-term Liabilities	Centlec Liability	20 722 585	10 474 149
Long-term Liabilities	Other Loans	698 160	988 848
Payables	Trade Creditors	32 689 995	24 594 775
Payables	Payments received in Advance	3 721 308	3 787 340
Payables	Sundry Deposits	2 711 899	2 711 899
Payables	Other Creditors		
Consumer Deposits	Consumer deposits	660 213	615 562
Current Portion of Long-term Liabilities	Finance Lease Liabilities	262 571	271 411
Current Portion of Long-term Liabilities	Government Loans	155 168	137 384
Bank Overdraft	Bank Overdraft		2 076 232
		<u>62 773 607</u>	<u>47 158 462</u>
Total Financial Liabilities		<u>62 773 607</u>	<u>47 158 462</u>

43.1.2 Financial Assets Pledged as security

A Pledge of R25 000 in favour of Eskom is held with First National Bank.

A Limited cession of R20 000 is held with ABSA Bank

(2 015.00)

(2 014.00)

43.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and Short-term Investments

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2015		30 June 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
FINANCIAL ASSETS				
Measured at Amortised Cost:	12 363 090	12 363 090	4 445 731	4 445 731
Call Deposits	168 952	168 952	163 083	163 083
Bank Balances and cash	570 523	570 523	165 131	165 131
Trade Receivables from Exchange Transactions	10 405 126	10 405 126	3 468 453	3 468 453
Trade Receivables from Non-exchange Transactions	1 218 488	1 218 488	649 064	649 064
Measured at Fair Value	345 155	345 155	285 604	285 604
OVK Shares	345 155	345 155	285 604	285 604
Total Financial Assets	<u>12 708 245</u>	<u>12 708 245</u>	<u>4 731 335</u>	<u>4 731 335</u>
FINANCIAL LIABILITIES				
Measured at Amortised Cost:	62 773 607	62 773 607	47 158 462	47 158 462
Finance Lease Liabilities	199 947	199 947	461 904	461 904
Government Loans	951 761	951 761	1 038 958	1 038 958
Other Loans	698 160	698 160	988 848	988 848
Payments Received in Advance	3 721 308	3 721 308	3 787 340	3 787 340
Consumer Deposits	660 213	660 213	615 562	615 562
Bank Overdraft	-	-	2 076 232	2 076 232
Centlec Payable	20 722 585	20 722 585	10 474 149	10 474 149
Trade and Other Payables:	-	-		
- Creditors	32 689 995	32 689 995	24 594 775	24 594 775
- Sundry Deposits	2 711 899	2 711 899	2 711 899	2 711 899
- Other payables	-	-	-	-
- Current Portion of Long-term Liabilities	417 739	417 739	408 795	408 795
Total Financial Liabilities	<u>62 773 607</u>	<u>62 773 607</u>	<u>47 158 462</u>	<u>47 158 462</u>
Total Financial Instruments	<u>(50 065 362)</u>	<u>(50 065 362)</u>	<u>(42 427 127)</u>	<u>(42 427 127)</u>
Unrecognised Gain / (Loss)		-		-

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique Class is one level lower than category.

30 June 2015

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
OVK Shares	-	345 155	-	345 155
Total Financial Assets	-	345 155	-	345 155
Total Financial Instruments	-	345 155	-	345 155

30 June 2014

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
OVK Shares	-	285 604	-	285 604
Total Financial Assets	-	285 604	-	285 604
FINANCIAL LIABILITIES				
Total Financial Liabilities	-	-	-	-
Total Financial Instruments	-	285 604	-	285 604

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

43.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010/2011.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 14, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 16 and the Statement of Changes in Net Assets.

Gearing Ratio

The debt-to-equity ratio, is reflected at 13.61%, increasing by 2.48%. This low ratio is as a result of the Municipality not entering in a large number of Loans and making full use of Government Grants received.

The municipality's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The municipality has a target gearing ratio of 20-25% determined as the proportion of net debt to equity. Based on the committee's recommendations, the municipality expects to increase its gearing ratio closer to 25% through the issue of new debt.

	2015	2014
	R	R
Debt	62 773 607	47 158 462
Cash and Cash Equivalents	739 475	328 214
Net Debt	<u>63 513 082</u>	<u>47 486 676</u>
Equity	<u>423 735 461</u>	<u>424 876 147</u>
Net debt to equity ratio	<u>14.99%</u>	<u>11.18%</u>

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 14
Debt is defined as Long- and Short-term Liabilities.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

43.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

The Corporate Treasury function reports quarterly to the municipality's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

43.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation. To address the timely collection of trade receivables, attorneys are appointed to assist with debt collection.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

43.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 43.6.2 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

43.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

43.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial Assets and Liabilities that are sensitive to interest rate risk are investments and loan payables. The municipality is exposed to interest rate risk on these financial instruments as the rates applicable are floating interest rates.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

43.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:		
Investments	345 155	285 604
Long-term Receivables		
Consumer Debtors	9 440 824	3 112 521
Other Debtors	2 182 791	1 004 996
Bank, Cash and Cash Equivalents	945 122	(1 748 018)
Maximum Credit and Interest Risk Exposure	12 913 892	2 655 103

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer

	%	%
	2015	2014
Consumer Debtors:		
- Household	10.05%	53.63%
- Industrial / Commercial	15.55%	6.83%
- National and Provincial Government	5.33%	28.18%
- Other Classes	69.06%	11.35%
Total Credit Risk	100.00%	100.00%

	2015 R	2014 R
Bank and Cash Balances		
ABSA Bank Ltd	668 859	(1 976 754)
First National Bank	135 986	146 549
Old Mutual	(0)	(0)
Standard Bank	139 097	81 007
Cash Equivalents	1 180	1 180
Total Bank and Cash Balances	945 122	(1 748 018)

Credit quality of Financial Assets:

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to

Counterparties without external credit rating:-		
Group 1	267 530	131 970
Group 2	38 638	19 060
Group 3		
	306 168	151 030
Total Receivables from Exchange Transactions	306 168	151 030
Receivables from Non-exchange Transactions		
Group 1	25 096	6 270
Group 2		
Group 3		
Total Receivables from Non-exchange Transactions	25 096	6 270

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

43. FINANCIAL INSTRUMENTS (Continued)

43.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The Municipality is experiencing cash flow difficulties due to weak debtor collections and is highly dependent on Grants received from Treasury. The cashflow difficulty is managed by performing monthly cashflow projections and strict budget managing.

Liquidity and Interest Risk Tables

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2015								
Non-interest Bearing			70 262 107	70 262 107	-	-	-	-
- Creditors		0%	70 262 107	70 262 107	-	-	-	-
Variable Interest Rate Instruments			-	-	-	-	-	-
- Bank Overdraft		10%	-	-	-	-	-	-
Fixed Interest Rate Instruments			2 267 606	211 069	204 787	377 084	674 008	800 659
- Centlec Capital Loans		0%	698 160	-	-	-	-	698 160
- Finance lease liability		10%	462 518	135 845	124 843	201 830	-	-
- DBSA		12%	1 106 929	75 224	79 944	175 254	674 008	102 499
			72 529 713	70 473 175	204 787	377 084	674 008	800 659
30 June 2014								
Non-interest Bearing			47 323 634	47 323 634	-	-	-	-
- Creditors		0%	47 323 634	47 323 634	-	-	-	-
Variable Interest Rate Instruments			2 076 232	2 076 232	-	-	-	-
- Bank Overdraft		10%	2 076 232	2 076 232	-	-	-	-
Fixed Interest Rate Instruments			2 898 505	267 881	195 281	402 285	543 554	1 489 504
- Centlec Capital Loans		0%	988 848	-	-	-	-	988 848
- Finance lease liability		10%	733 315	139 062	130 674.94	260 656	202 922	-
- DBSA		12%	1 176 342	128 818	64 606	141 629	340 633	500 656
			52 298 371	49 667 747	195 281	402 285	543 554	1 489 504

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2015								
Non-interest Bearing			5 641 647	5 641 647	-	-	-	-
- OVK Shares		0%	345 155	345 155	-	-	-	-
- Trade Receivables from Exchange Transactions		0%	8 222 335	2 463 457	-	-	-	-
- Trade Receivables from Non-exchange Transactions		0%	1 218 488	649 064	-	-	-	-
- Cash and Cash Equivalents		0%	1 180	1 180	-	-	-	-
- Sundry Debtors		0%	2 182 791	2 182 791	-	-	-	-
Variable Interest Rate Instruments			327 034	327 034	-	-	-	-
- Call Deposits		10%	163 083	163 083	-	-	-	-
- Bank Account		10%	163 951	163 951	-	-	-	-
			-					
			5 968 681	5 968 681	-	-	-	-
30 June 2014								
Non-interest Bearing			4 404 301	4 404 301	-	-	-	-
- OVK Shares		0%	285 604	285 604	-	-	-	-
- Trade Receivables from Exchange Transactions		0%	2 463 457	2 463 457	-	-	-	-
- Trade Receivables from Non-exchange Transactions		0%	649 064	649 064	-	-	-	-
- Cash and Cash Equivalents		0%	1 180	1 180	-	-	-	-
- Payments made in advance		0%	-	-	-	-	-	-
- Sundry Debtors		0%	1 004 996	1 004 996	-	-	-	-
Variable Interest Rate Instruments			327 034	327 034	-	-	-	-
- Call Deposits		10%	163 083	163 083	-	-	-	-
- Bank Account		10%	163 951	163 951	-	-	-	-
			-					
			4 731 335	4 731 335	-	-	-	-

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

43.9 Effective Interest Rates and Repricing Analysis

In accordance with GRAP 104 the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2015

Description	Note ref in AFS
	#
VARIABLE RATE INSTRUMENTS	
Short-term Investment Deposits	6
Bank Balances and Cash	6
Total Fixed Rate Instruments	

Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
R	R	R	R		R
168 952	168 952	-	-	-	-
776 171	776 171	-	-	-	-
945 122	945 122	-	-	-	-

30 June 2014

Description	Note ref in AFS
	#
VARIABLE RATE INSTRUMENTS	
Short-term Investment Deposits	5
Bank Balances and Cash	5
Total Fixed Rate Instruments	

Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
R	R	R	R		R
163 083	163 083	-	-	-	-
(1 911 101)	(1 911 101)	-	-	-	-
(1 748 018)	(1 748 018)	-	-	-	-

43.10 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

44. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

Certain councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

SALA Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R7 110,3 (30 June 2009: R6 303,7) million, with funding levels of 96,0% (30 June 2009: 96,0%). The contribution rate paid by the members (8,6%) and Council (20,78%) is sufficient to fund the benefits accruing from the fund in the future.

SAMWU Pension Fund:

No details could be provided for the fund and of any valuation performed.

The contribution rate paid by the members (7,50%) and Council (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Post retirement Fund Contributions

The Municipality continued to contribute to the medical aid of two retired employees

	2015	2014
	R	R
- Total amount of medical aid contributions	67 681	70 095

45. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

45.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Lekula L	Councillor	Lekhula Constructions
Backward ET	Councillor	Matlakeng Charcoal Project
Riddle IS	Councillor	EBRI Properties
Tsoamotse MN	Director (TS)	Moedi Trading & Reahlomela Construction
Nqoko LV	Director (CS)	Info Com Biz Center & Sabbath Business Consultancy
Nkosi JV	Official (CFO)	Cebisa Stationary and Supplies & Sbusiso Printing and Stationary
Panyani TC	Official (MM)	Uhlosi Trading, Uhlosi Guest House, PC Training and Business College & Platinum Campus

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

45.1 Interest of Related Parties (Continued)

The following related party transactions relate to the provision for bad debt on councillors' accounts:

	R
Councillor Lekhula L	7 167
Councillor Letele MA	2 449
Councillor Thuhlo RJ	1 133
Councillor Shasha SD	6 747
Total provision for bad debt on councillors accounts	<u><u>17 497</u></u>

45.2 Services rendered to Related Parties

During the year the municipality rendered services to related parties that are related to the municipality in the form of Rates, Services and Sundry charges which is in the normal flow of business.

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel.

45.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans are receivable from Councillors, Management, Staff and Public.

45.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 24 and 25 respectively, to the Annual Financial Statements.

45.5 Purchases from Related Parties

The municipality did not buy goods from any companies which can be considered to be Related Parties.

	2015 R	2014 R
46. CONTINGENT LIABILITIES		
46.2 Court Proceedings:	<u><u>30 831 585</u></u>	<u><u>-</u></u>
(i) Unfair Dismissal Claim: Unfair Dismissal Claims has been issued against the Municipality. The claims are being handled by N.P. Vuyi Attorneys and Malherbe Saayman, Smith Attorneys. The possible losses regarding these cases has not been quantified.	-	-
(ii) Dispute regarding pipeline servitude Dispute regarding construction of pipeline next to servitude. The possible losses regarding this could amount to R45 000. The claims are being handled by D. Marais.	45 000	-
(iii) Graves outside designated boundary lines of a Cemetery: During August 2012 it came to the attention of the Municipality that graves were used outside the boundary lines of a Municipal Cemetery in Zastron. The area where the graves were used are inside an area where a possibility exists that water could be contaminated by the decaying bodies. The usage of this area as a Cemetery has since been stopped and studies were performed to determine the extent of contamination done to water. The Municipality are awaiting results of these studies to determine the procedures to be implemented going forward.	-	-
(iv) SALA Pension Fund: A notice of motion has been issued against the Municipality. The claims are being handled by Mr. D Marais. The matter relates to long outstanding contributions (members' portion as well as council contributions) and interest charged on these amounts.	13 545 500	-
(v) SAMWU Provident Fund: A notice of motion has been issued against the Municipality. The claims are being handled by Mr. D Marais. The matter relates to long outstanding contributions (members' portion as well as council contributions) and interest charged on these amounts.	6 377 690	-

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

47 CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

48 IN-KIND DONATIONS AND ASSISTANCE

Refer to note 19 Relating to Donations and assistance received.

49 PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

50 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2015.

51 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 34) and Prior Period Errors (Note 33).

52 MANAGEMENT'S GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) On 29 May 2015 the Council adopted the 2015/16 to 2017/18 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

(v) The municipality's cash management was under pressure during the 2014/15 financial period due to an amount of R6,6 million being withheld from the Equitable share receivable. The funds were withheld due to Municipal Infrastructure Grants (Conditional) and Municipal Water Infrastructure Grants (Conditional) that were not utilised in the past. Irrespective of the pressure that this has placed on the Municipality, they still managed to have a positive bank balance at the end of 2014/15.

(vi) The municipality's cash management was also under pressure due to low collection rates on receivables. The collection rate for the financial period ended was only 43% (40% - 2014) which was an improvement from the previous period. The Municipality's receivables increased by R8,5 million before the provision of impairment which indicates uncollected debtors for the current period. The Municipality appointed attorneys to assist with debt collection.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

APPENDIX A

Mohokare Local Municipality

UN-AUDITED SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2014	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2015
CAPITAL LEASE LIABILITIES	R				R	R	R	R
Finance lease Liabilities	-	Prime		2016	733 315		(270 797)	462 518
Total Capital Lease Liabilities	-				733 315	-	(270 797)	462 518
GOVERNMENT LOANS								
DBSA Loan	2 730 000		1	2015	1 176 342	-	(69 414)	1 106 929
Total Government Loans	2 730 000				1 176 342	-	(69 414)	1 106 929
OTHER LOANS								
Centlec Capital Loan	1 214 262	0.00%	40021201 to 40027483	2024	988 848	-	-	988 848
Total Other Loans	1 214 262				988 848	-	-	988 848
TOTAL EXTERNAL LOANS	3 944 262				2 898 505	-	(340 211)	2 558 294

APPENDIX B
Mohokare Local Municipality
UN-AUDITED ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015

Description	Cost / Revaluation						Accumulated Depreciation / Impairment						Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Impairments	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings													
Housing	15 826 458	-	-	-	-	15 826 458	6 116 131	82 816	-	-	-	6 198 947	9 627 511
Operational buildings Total	20 745 344	159 312	-	-	-	20 904 656	15 449 582	244 212	-	-	-	15 693 793	5 210 863
Land: Developed	1 934 500	-	-	-	-	1 934 500	-	-	-	-	-	-	1 934 500
	38 506 302	159 312	-	-	-	38 665 614	21 565 713	327 027	-	-	-	21 892 740	16 772 874
Infrastructure													
<i>Electricity:</i>													
Network	84 485 562	-	-	-	-	84 485 562	36 278 739	4 203 494	-	-	-	40 482 234	44 003 328
<i>Roads and Transport:</i>													
Roads & Stormwater	176 843 714	-	-	-	-	176 843 714	88 732 609	9 137 633	-	-	-	97 870 242	78 973 472
<i>Sanitation:</i>													
Sanitation network	167 236 970	-	-	-	-	167 236 970	77 509 105	3 827 604	-	-	-	81 336 708	85 900 262
<i>Water:</i>													
Supply network	187 845 016	3 158 211	-	-	-	191 003 227	98 322 072	5 049 964	-	-	-	103 372 036	87 631 191
	616 411 262	3 158 211	-	-	-	619 569 473	300 842 525	22 218 695	-	-	-	323 061 220	296 508 254
Community Assets													
Community facilities	62 578 086	-	-	-	-	62 578 086	32 327 384	1 375 457	-	-	-	33 702 841	28 875 245
Sport and Recreational Facilities	64 699 799	52 395	-	-	-	64 752 194	38 519 409	1 461 691	-	-	-	39 981 100	24 771 094
	127 277 885	52 395	-	-	-	127 330 280	70 846 793	2 837 148	-	-	-	73 683 941	53 646 339
Leased Assets													
Office equipment	1 358 102	-	-	-	-	1 358 102	1 308 232	33 245	-	-	-	1 341 477	16 625
Motor vehicles	778 019	-	-	-	-	778 019	64 835	259 340	-	-	-	324 175	453 844
	2 136 120	-	-	-	-	2 136 120	1 373 067	292 585	-	-	-	1 665 652	470 469
Other Assets													
<i>Emergency Equipment:</i>													
Emergency / rescue equipment	161 894	-	-	-	(8 126)	153 768	82 585	19 277	-	-	(6 048)	95 814	57 954
Fire fighting equipment / fire hoses	32 484	-	-	-	(4 368)	28 116	18 221	2 797	-	-	(2 361)	18 657	9 459
<i>Furniture and Fittings:</i>													
Tables & desks	648 851	2 044	-	-	(28 862)	622 034	332 901	54 004	-	-	(15 340)	371 565	250 469
Chairs and couches	1 285 694	1 913	-	-	(97 020)	1 190 587	809 964	79 528	-	3 937	(73 748)	819 682	370 905
Cabinets & cupboards	528 689	6 639	-	-	(9 047)	526 280	291 754	43 618	-	1 638	(7 567)	329 443	196 837
Other furniture and fittings	173 951	-	-	-	(9 364)	164 588	101 224	13 776	-	-	(3 398)	111 602	52 985
Shelving and bookcases	56 164	1 386	-	-	(939)	56 611	35 498	3 687	-	-	(224)	38 961	17 650
Headboards	656	-	-	-	-	656	574	7	-	-	-	581	75
<i>Motor Vehicles:</i>													
Trailers and accessories	643 300	-	-	-	-	643 300	243 841	22 557	-	-	-	266 398	376 902
Trucks, buses and IdVs	1 153 169	-	-	-	-	1 153 169	134 753	66 337	-	-	-	201 090	952 079
Tractors	1 988 050	-	-	-	-	1 988 050	602 185	53 267	-	-	-	655 452	1 332 598
Passenger vehicles	859 600	-	-	-	-	859 600	322 952	28 624	-	-	-	351 576	508 024
Farm Vehicles	85 500	302 628	-	-	-	388 128	17 784	16 390	-	-	-	34 174	353 954
Emergency vehicles	-	129 941	-	-	-	129 941	-	-	-	-	-	-	129 941
Specialised vehicles	180 000	-	-	-	-	180 000	25 920	8 640	-	-	-	34 560	145 440
<i>Office Equipment:</i>													
Domestic equipment	92 660	5 845	-	-	(8 943)	89 563	54 509	26 948	-	130	(5 419)	76 167	13 396

APPENDIX B
Mohokare Local Municipality
UN-AUDITED ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015

Description	Cost / Revaluation						Accumulated Depreciation / Impairment						Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Impairments	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
Computer hardware	2 140 517	264 728	-	-	(146 585)	2 258 660	940 990	277 042	-	48 114	(78 323)	1 187 823	1 070 836
Office machines	374 151	-	-	-	(13 980)	360 171	123 125	50 939	-	-	(6 617)	167 446	192 725
Office equipment - other	771 163	8 083	-	-	(6 116)	773 130	109 551	136 704	-	-	(1 517)	244 738	528 392
Audiovisual equipment	230 631	-	-	-	(17 542)	213 089	86 779	35 821	-	-	(8 226)	114 374	98 715
Air conditioners	78 624	-	-	-	-	78 624	61 298	3 778	-	480	-	65 556	13 068
Musical instruments	34 500	-	-	-	-	34 500	21 689	2 116	-	-	-	23 805	10 695
<i>Plant and Equipment:</i>													
Lawnmowers / gardening equipment	318 569	-	-	-	-	318 569	191 397	41 480	-	-	-	232 877	85 692
Plant and equipment - other	821 556	65 529	-	-	(206 948)	680 137	453 282	81 478	-	-	(100 472)	434 289	245 848
Workshop equipment and tools	221 752	26 276	-	-	(15 119)	232 910	77 703	38 560	-	-	(7 237)	109 026	123 884
Compressors	47 944	96 770	-	-	-	144 714	25 371	16 186	-	-	-	41 557	103 156
Radio equipment	9 682	-	-	-	-	9 682	8 472	126	-	-	-	8 597	1 085
Generators	669 614	2 944	-	-	(159 000)	513 558	275 419	91 204	-	-	(78 705)	287 918	225 640
Law enforcement equipment	14 614	-	-	-	(5 415)	9 199	4 592	1 656	-	-	(1 728)	4 520	4 679
<i>Other Assets:</i>													
Laboratory Equipment	225 696	394 329	-	-	(53 278)	566 748	157 103	56 358	-	-	(38 306)	175 154	391 594
<i>Other Assets:</i>		249 333				249 333		43 513				43 513	205 820
	13 849 675	1 558 388	-	-	(790 652)	14 617 411	5 611 436	1 316 416	-	54 299	(435 236)	6 546 914	8 070 497
Total	798 181 245	4 928 307	-	-	(790 652)	802 318 900	400 239 533	26 991 871	-	54 299	(435 236)	426 850 467	375 468 433
						0.00						0.00	13 198 447.85

Mohokare Local Municipality
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2015

Description	Cost / Revaluation						Accumulated Depreciation / Impairment						Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers		Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R		R	R	R
Investment Properties													
Improved Properties	6 040 020	-	-	-	-	6 040 020	-	-	-	-	-	-	6 040 020
Unimproved Properties	11 706 645	-	-	-	-	11 706 645	-	-	-	-	-	-	11 706 645
		-	-	-	-	-	-	-	-	-	-	-	-
	17 746 665	-	-	-	-	17 746 665	-	-	-	-	-	-	17 746 665

APPENDIX C
Mohokare Local Municipality
UN-AUDITED SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2015

Description	Cost / Revaluation					Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Impairments	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	907 173	-	-	(15 845)	891 328	489 424	63 704	684	(5 640)	548 172	343 155
Finance and Administration	26 463 080	258 542	-	(297 706)	26 423 916	18 541 034	777 086	40 816	(152 789)	19 206 147	7 217 770
Planning and Development	38 539	-	-	(442)	38 097	27 548	2 051	-	(224)	29 376	8 721
Health	-	-	-	-	-	-	-	-	-	-	-
Community and Social Services	47 428 345	-	-	(28 803)	47 399 542	30 451 535	785 579	1 340	(23 127)	31 215 326	16 184 217
Housing	17 799 233	-	-	(2 908)	17 796 325	6 144 555	84 645	-	(2 013)	6 227 188	11 569 137
Public Safety	294 814	-	-	(6 083)	288 731	169 296	19 984	-	(2 312)	186 968	101 763
Sport and Recreation	68 444 996	52 395	-	(5 289)	68 492 102	40 225 324	747 671	-	(4 502)	40 968 492	27 523 610
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-
Waste Management	170 111 254	1 459 068	-	(209 433)	171 360 890	78 977 984	4 094 381	32	(145 775)	82 926 623	88 434 267
Roads and Transport	177 954 155	-	-	-	177 954 155	89 352 167	9 158 981	-	-	98 511 148	79 443 007
Water	188 612 403	3 158 211	-	(10 301)	191 760 312	98 643 461	5 075 799	-	(6 707)	103 712 553	88 047 760
Electricity	84 485 562	-	-	-	84 485 562	36 278 739	4 203 494	-	-	40 482 234	44 003 328
Other	4 515 913	-	-	(213 841)	4 302 072	938 467	579 927	11 427	(92 147)	1 437 675	2 864 397
Total	787 055 469	4 928 217	-	(790 652)	791 193 034	400 239 534	25 593 303	54 299	(435 236)	425 451 901	365 741 133

APPENDIX D

Mohokare Local Municipality

UN-AUDITED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

2014 Actual Income	2014 Actual Expenditure	2014 Surplus/ (Deficit)	Description	2015 Actual Income	2015 Actual Expenditure	2015 Surplus/ (Deficit)
R	R	R		R	R	R
(580 856)	11 831 494	11 250 638	Executive and Council	(26 007)	11 250 613	11 224 606
(72 424 095)	51 761 752	(20 662 343)	Finance and Administration	(64 691 737)	53 044 049	(11 647 688)
-	1 978 803	1 978 803	Planning and Development	-	2 273 356	2 273 356
(621 874)	5 931 739	5 309 865	Community and Social Services	(114 510)	6 770 856	6 656 346
(424 539)	552 157	127 618	Housing	(811 158)	678 387	(132 770)
(1 358 675)	1 282 064	(76 611)	Public Safety	(2 799 594)	1 522 614	(1 276 980)
(75)	1 216 553	1 216 478	Sport and Recreation	(218)	1 260 417	1 260 200
(43 982)	248 780	204 799	Environmental Protection	-	-	-
(28 940 143)	14 945 404	(13 994 740)	Waste Management	(32 897 407)	14 580 596	(18 316 811)
(1 453 801)	6 084 739	4 630 938	Roads and Transport	(1 033 311)	5 046 035	4 012 725
(27 064 536)	16 246 846	(10 817 690)	Water	(45 276 811)	17 818 881	(27 457 930)
(20 625 055)	54 009 397	33 384 341	Electricity	(26 093 727)	55 631 355	29 537 628
-	-	-	Other - Reversal of capital items	-	-	-
(153 537 631)	166 089 727	12 552 096	Sub-Total	(173 744 478)	169 877 160	(3 867 318)
			Revenue Foregone			
(153 537 631)	166 089 727	12 552 096	Total	(173 744 478)	169 877 160	(3 867 318)

APPENDIX E(1)

Mohokare Local Municipality

UN-AUDITED ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2015

Description	2014/15 Actual	2014/15 Budget	2014/15 Variance	2014/15 Variance	Explanation of Significant Variances
	R	R	R	%	
REVENUE					
Property Rates	6 632 446	14 587 000	(7 954 554)	(54.53)	Inaccurate Budgeting
Fines	1 638 850	3 000 000	(1 361 150)	(45.37)	Less fines issued than anticipated
Licences and Permits	3 545	3 000	545	18.17	
Government Grants and Subsidies	107 022 619	54 508 000	52 514 619	96.34	Budget only displayed the operational grants.
Public Contributions and Donations	1 345 459	-	1 345 459	100.00	Public contributions and donations are not budgeted for
Service Charges	53 735 107	52 819 000	916 107	1.73	
Rental of Facilities and Equipment	1 064 164	604 000	460 164	76.19	
Interest Earned - External investments	129 246	7 000	122 246	1 746.37	High interest earned on call accounts
Interest Earned - Outstanding debtors	791 003	-	791 003	100.00	Refer to Service charges
Dividends Received	7 067	19 000	(11 933)	(62.81)	
Gain on Fair value adjustment	65 770	-	65 770	100.00	Fair value gains not budgeted for
Other Income	1 253 866	7 181 000	(5 927 134)	(82.54)	Budget includes VAT pay-outs
Profit on Sale of Biological Assets	55 266	-	55 266	100.00	Sale of blesbok not budgeted for
Total Revenue	173 744 407	132 728 000	41 016 409	30.90	
	20 206 776				
EXPENDITURE					
Employee Related Costs	55 216 846	54 676 000	540 846	0.99	Inaccurate Budgeting
Remuneration of Councillors	3 236 314	3 066 000	170 314	5.55	
Depreciation	25 616 415	28 608 000	(2 991 585)	(10.46)	Inaccurate Budgeting
Impairment Losses	22 815 194	13 952 000	8 863 194	63.53	Impairment on receivables higher than expected
Repairs and Maintenance	1 979 132	-	1 979 132	100.00	Repairs and Maintenance in Budget included under other general expenses
Interest Paid	4 428 348	2 729 000	1 699 348	62.27	Interest charge on Landfill sites provision not budgeted for
Bulk Purchases	23 607 805	19 570 000	4 037 805	20.63	Centlec purchases
Contracted Services	3 632 912	584 000	3 048 912	522.07	Consultants Budget included under other general expenses
Grants and Subsidies Paid	4 871 358	4 963 000	(91 642)	(1.85)	High increase in services provided to indigents
General Expenses	23 511 210	32 724 000	(9 212 790)	(28.15)	Centlec General expenses not budgeted for
Loss on disposal of Property, Plant and Equipment	355 416	-	355 416	100.00	Loss of building due to vandalism not expected
Total Expenditure	169 270 948	160 872 000	8 398 950	5.22	
NET SURPLUS / (DEFICIT) FOR THE YEAR	4 473 458	(28 144 000)	32 617 458	(115.89)	

APPENDIX E(1)
Mohokare Local Municipality
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 June 2014

Description	2013/14 Actual	2013/14 Budget	2013/14 Variance	2013/14 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Property Rates	6 055 112	13 904 000	(7 848 888)	(56.45)	Inaccurate Budgeting
Fines	874 540	500 000	374 540	74.91	Less fines issued than anticipated
Government Grants and Subsidies	94 606 442	52 125 000	42 481 442	81.50	Budget only displayed the operational grants.
Public Contributions and Donations	970 424	-	970 424	100.00	Public contributions and donations are not budgeted for
Service Charges	40 965 596	43 454 000	(2 488 404)	(5.73)	Some Electricity sales not budgeted for.
Rental of Facilities and Equipment	574 998	571 000	3 998	0.70	More rental of facilities than expected
Interest Earned - External investments	175 822	6 000	169 822	2 830.36	High interest earned on call accounts
Interest Earned - Outstanding debtors	8 084 890	-	8 084 890	100.00	Amounts not forseen
Interest Earned - Provisions	-	-	-	0.00	Reversal of landfill site provisions
Dividends Received	8 925	9 000	(75)	(0.83)	Inaccurate Budgeting
Gain on Fair value adjustment	211 931	-	211 931	100.00	Amounts not forseen
Other Income	1 008 818	4 586 000	(3 577 182)	(78.00)	Amounts not forseen
Total Revenue	153 537 496	115 155 000	38 382 498	33.33	
EXPENDITURE					
Employee Related Costs	52 766 457	48 536 000	4 230 457	8.72	Inaccurate Budgeting
Remuneration of Councillors	3 065 340	2 986 000	79 340	2.66	Inaccurate Budgeting
Depreciation	25 776 667	27 952 000	(2 175 333)	(7.78)	Inaccurate Budgeting
Impairment Losses	22 554 982	5 610 000	16 944 982	302.05	Impairment on receivables higher than expected
Repairs and Maintenance	1 698 199	-	1 698 199	100.00	Repairs & Maintenance budgeted under General Expenses
Interest Paid	2 191 427	312 000	1 879 427	602.38	Interest charge on Landfill sites provision not budgeted for
Bulk Purchases	19 755 688	16 000 000	3 755 688	23.47	Centlec purchases not budgeted for
Contracted Services	5 393 623	159 000	5 234 623	3 292.22	More consultants used than was budgeted for
Grants and Subsidies Paid	3 014 720	5 850 000	(2 835 280)	(48.47)	High increase in services provided to indigents
General Expenses	28 193 557	34 635 000	(6 441 443)	(18.60)	Capital expenditures included in budget
Loss on disposal of Property, Plant and Equipment	298 128	-	298 128	100.00	Loss of building due to vandalism not expected
Total Expenditure	164 708 787	142 040 000	22 668 788	15.96	
NET SURPLUS / (DEFICIT) FOR THE YEAR	(11 171 291)	(26 885 000)	15 713 709	(58.45)	

APPENDIX E(2)

Mohokare Local Municipality

UN-AUDITED ACTUAL VERSUS BUDGET (ACQUISITION OF CAPITAL ASSETS) FOR THE YEAR ENDED 30 JUNE 2015

Description	2014/15 Actual	2014/15 Under Construction	2014/15 Total Additions	2014/15 Budget	2014/15 Variance	2014/15 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Executive and Council	-	-	-	3 000	(3 000)	100%	Budget is based on actual payments, additions are based on date of delivery
Finance and Administration	159 312	-	159 312	914 000	(754 688)	100%	Budget is based on actual payments, additions are based on date of delivery
Planning and Development	-	-	-	-	-	100%	Budget is based on actual payments, additions are based on date of delivery
Health	-	-	-	-	-	100%	Budget is based on actual payments, additions are based on date of delivery
Community and Social Services	52 395	-	52 395	346 000	(293 605)	100%	Budget is based on actual payments, additions are based on date of delivery
Housing	-	-	-	-	-	100%	Budget is based on actual payments, additions are based on date of delivery
Public Safety	-	-	-	-	-	100%	Budget is based on actual payments, additions are based on date of delivery
Sport and Recreation	-	942 518	942 518	2 656 000	(1 713 482)	100%	Budget is based on actual payments, additions are based on date of delivery
Environmental Protection	-	-	-	-	-	100%	Budget is based on actual payments, additions are based on date of delivery
Waste Management	-	-	-	482 000	(482 000)	100%	Budget is based on actual payments, additions are based on date of delivery
Roads and Transport	-	8 689 842	8 689 842	10 335 000	(1 645 158)	100%	Budget is based on actual payments, additions are based on date of delivery
Water	3 158 211	26 509 734	29 667 945	43 882 000	(14 214 055)	100%	Budget is based on actual payments, additions are based on date of delivery
Electricity	-	4 087 227	4 087 227	3 666 000	421 227	100%	Budget is based on actual payments, additions are based on date of delivery
Other	1 558 298	-	1 558 298	-	1 558 298	100.00	
Total	4 928 216	40 229 322	45 157 538	62 284 000	(17 126 462)	(27.50)	

UN-AUDITED ACTUAL VERSUS BUDGET (ACQUISITION OF CAPITAL ASSETS) FOR THE YEAR ENDED 30 June 2014

Description	0 Actual	0 Under Construction	0 Total Additions	0 Budget	0 Variance	0 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Executive and Council	-	-	-	-	-	100%	Budget is based on actual payments, additions are based on date of delivery
Finance and Administration	844 509	-	844 509	794 000	50 509	6%	Budget is based on actual payments, additions are based on date of delivery
Community and Social Services	-	-	-	-	-	100%	Budget is based on actual payments, additions are based on date of delivery
Housing	-	-	-	-	-	100%	Budget is based on actual payments, additions are based on date of delivery
Public Safety	-	-	-	-	-	100%	Budget is based on actual payments, additions are based on date of delivery
Sport and Recreation	-	2 779 565	2 779 565	2 803 068	(23 503)	100%	Budget is based on actual payments, additions are based on date of delivery
Waste Management	-	816 659	816 659	11 864 265	(11 047 606)	-93%	Budget is based on actual payments, additions are based on date of delivery
Roads and Transport	-	6 601 025	6 601 025	1 000 000	5 601 025	560%	Budget is based on actual payments, additions are based on date of delivery
Water	2 710 664	20 361 073	23 071 737	23 124 450	(52 713)	0%	Budget is based on actual payments, additions are based on date of delivery
Electricity	-	-	-	1 780 867	(1 780 867)	100%	Budget is based on actual payments, additions are based on date of delivery
Total	3 555 173	30 558 322	34 113 495	41 366 650	(7 253 155)	(17.53)	

APPENDIX F

Mohokare Local Municipality

UN-AUDITED DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June		
Equitable Share	Nat Treasury	15 620 000	16 656 000	14 064 000	0	11 585 000	11 585 000	11 585 000	11 585 000	6 626 000	N/A	N/A	N/A	B & MWIG Roll over expi	N/A
FMG	Nat Treasury	1 800 000	0	0	0	450 000	450 000	450 000	450 000	N/A	N/A	N/A	N/A		N/A
MWIG	Nat Treasury	0	0	0	3 310 045	0	0	0	3 310 045	N/A	N/A	N/A	N/A		N/A
MIG Projects	MIG	6 852 000	6 275 000	12 335 000	0	3 922 089	4 632 219	3 193 602	4 908 354	N/A	N/A	N/A	N/A		Roll-over
Bulk Infrastructure Grant	DWAF	4 584 061	12 417 394	9 500 030	2 550 789	9 833 830	10 982 844	7 000 000	2 404 423	N/A	N/A	N/A	N/A	N/A	N/A
MSIG	COGTA	934 000	0	0	0	233 500	233 500	233 500	233 500	N/A	N/A	N/A	N/A	N/A	N/A
EPW Incentive Grant	Province	413 000	310 000	310 000	0	258 250	258 250	258 250	258 250	N/A	N/A	N/A	N/A	N/A	N/A
COGTA Grants	COGTA	0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A
LG SETA Grant	LG SETA	0	0	0	13 411	0	0	0	13 411	N/A	N/A	N/A	N/A	N/A	N/A
Total Grants and Subsidies Received		30 203 061	35 658 394	36 209 030	5 874 245	26 282 669	28 141 813	22 720 352	23 162 983	6 626 000	0	0	0		